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STELLENBOSCH

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Stellenbosch Municipality
Unaudited Annual financial statements
for the year ended 30 June 2020
Auditor-General of South Africa

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity

Stellenbosch municipality is a high-capacity, category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa.

The principle activities of the municipality are to:

Provide democratic and accountable government to local communities;
Ensure sustainable service delivery to communities;
Promote social and economic development;
Promote a safe and healthy environment; and
Encourage the involvement of communities and community organisations in the matters of local government.

Mayoral committee

Executive Mayor
Deputy Executive Mayor
Speaker
Executive Councillors

G van Deventer
W Petersen
N Jindela
F Badenhorst
P Crawley
A Frazenburg
E Groenewald
X Mdemka
S Peters
M Pietersen
Q Smit
F Adams
F Bangani-Menziwa
P Biscombe
G Cele
A Crombie
Z Dalling
R Du Toit
A Florence
J Fasser
E Fredericks
T Gosa
J Hamilton
A Hanekom
D Hendrickse
J Hendriks
L Horsband
M Johnson
D Joubert
N Mananga-Gugushe
C Manuel
M Mc Ombring
C Moses
R Nalumango
N Olayi
M Oliphant
W Petersen
W Pietersen
S Schafer

Councillors

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

General Information

	J Serdyn N Sinkinya P Sitshoti L Stander E Vermeulen
Accounting Officer	G Mettler
Chief Finance Officer (CFO)	K Carolus
Senior Management	A de Beer D Louw G Boshoff A Barnes
Registered office	Plein Street Stellenbosch 7600
Business address	Plein Street Stellenbosch 7600
Postal address	P O Box 17 Stellenbosch 7599
Bankers	ABSA NEDBANK
Auditors	Auditor-General of South Africa
Legislation Governing the Municipality	The Constitution of the Republic of South Africa, 1996 The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004) Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007) Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998) Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005) Division of Revenue Act (Act 1 of 2007)

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
VAT	Value added Tax

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these financial statements in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and signed the Annual Financial Statements on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 34 and 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements. The unaudited annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The unaudited annual financial statements have been prepared on the going concern basis, is hereby approved.

Accounting Officer
Geraldine Mettler

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	111 201 845	169 490 533
Short term investments	4	306 637 342	398 163 664
Receivables from exchange transactions	5	111 067 546	147 504 373
Receivables from non-exchange transactions	6	71 484 038	65 966 659
Other receivables from exchange transactions	7	14 476 820	15 909 967
Inventories	8	64 142 878	64 557 942
VAT receivable	9	30 285 689	48 168 490
Long term receivables	15	2 800 967	1 630 959
		712 097 125	911 392 587
Non-Current Assets			
Property, plant and equipment	10	5 257 747 822	5 040 750 440
Investment property	11	422 465 905	422 837 453
Intangible assets	12	9 694 174	11 956 450
Biological assets that form part of an agricultural activity	13	6 321 448	6 321 448
Heritage assets	14	774 002	774 002
Long term receivables	15	3 560 940	3 024 999
		5 700 564 291	5 485 664 792
Total Assets		6 412 661 416	6 397 057 379
Liabilities			
Current Liabilities			
Consumer deposits	16	17 784 517	17 077 912
Employee benefit obligation	17	78 214 004	55 599 752
Operating lease liability	18	4 958 344	5 775 015
Other financial liabilities	19	26 752 931	25 869 707
Provisions	20	-	642 909
Payables from exchange transactions	21	270 824 226	271 462 267
Unspent conditional grants and receipts	22	8 862 622	59 045 639
		407 396 644	435 473 201
Non-Current Liabilities			
Other financial liabilities	19	266 177 508	292 930 440
Employee benefit obligation	17	166 519 386	201 830 792
Provisions	20	121 305 978	101 701 567
		554 002 872	596 462 799
Total Liabilities		961 399 516	1 031 936 000
Net Assets		5 451 261 900	5 365 121 379
Accumulated surplus	23	5 451 261 900	5 365 121 379

* See Note 61

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	880 125 828	817 760 063
Construction contracts	25	5 317 560	1 044 546
Rental of facilities and equipment	26	13 601 431	17 890 921
Interest earned - outstanding receivables	27	6 954 471	8 024 881
Agency services	28	2 664 460	2 833 175
Licences and permits	29	5 725 345	6 610 962
Other income	30	40 061 672	40 523 549
Investment revenue	31	40 472 002	44 271 827
Gain on biological assets and agricultural produce		33 133	51 591
Reversal of inventories losses		709 539	6 218 654
Total revenue from exchange transactions		995 665 441	945 230 169
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	361 911 541	332 957 900
Transfer revenue			
Government grants & subsidies	33	285 026 320	233 432 676
Fines, Penalties and Forfeits	34	99 992 810	118 046 132
Total revenue from non-exchange transactions		746 930 671	684 436 708
Total revenue		1 742 596 112	1 629 666 877
Expenditure			
Employee related costs	35	(481 583 057)	(444 711 087)
Remuneration of councillors	36	(19 121 037)	(18 272 420)
Contribution to/from provision	38	(8 828 974)	(6 025 885)
Depreciation and amortisation	39	(192 333 632)	(191 269 441)
Impairments loss	10	-	(1 705 912)
Finance costs	40	(56 003 899)	(41 787 542)
Lease rentals on operating lease	41	(11 837 555)	(2 666 984)
Bad debt written off	42	(123 186 856)	(105 207 214)
Contribution to allowance for doubtful debt	43	6 513 822	(23 536 375)
Bulk purchases	44	(445 620 997)	(380 670 630)
Contracted services	45	(183 481 733)	(151 817 580)
Transfers and Subsidies	46	(10 854 823)	(9 129 449)
Cost of housing sold		(700 000)	-
Loss on disposal of assets and liabilities		-	(5 111 906)
Fair value adjustments	48	(634 971)	(350 833)
Inventories losses/write-downs		-	(2 157 273)
General Expenses	47	(128 781 895)	(121 689 589)
Total expenditure		(1 656 455 607)	(1 506 110 120)
Surplus for the year		86 140 505	123 556 757

* See Note 61

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5 162 591 964	5 162 591 964
Adjustments		
Prior year adjustments	78 972 658	78 972 658
Balance at 01 July 2018 as restated*	5 241 564 622	5 241 564 622
Changes in net assets		
Surplus for the year	123 556 757	123 556 757
Total changes	123 556 757	123 556 757
Restated* Balance at 01 July 2019	5 365 121 379	5 365 121 379
Changes in net assets		
Surplus for the year	86 140 505	86 140 505
Total changes	86 140 505	86 140 505
Balance at 30 June 2020	5 451 261 884	5 451 261 884
Note(s)	23	

* See Note 61

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 342 975 144	1 219 345 919
Grants		240 160 863	270 319 841
Interest income		40 472 002	44 271 827
		<u>1 623 608 009</u>	<u>1 533 937 587</u>
Payments			
Employee costs		(530 497 862)	(489 934 303)
Suppliers		(779 976 861)	(639 779 591)
Finance costs		(31 149 574)	(17 033 200)
		<u>(1 341 624 297)</u>	<u>(1 146 747 094)</u>
Net cash flows from operating activities	49	<u>281 983 712</u>	<u>387 190 493</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(405 798 947)	(487 925 723)
Proceeds from sale of property, plant and equipment	10	-	1 916 743
Purchase of other intangible assets	12	(163 200)	(5 377 971)
Proceeds from sale of biological assets that form part of an agricultural activity	13	33 133	51 591
Proceeds from sale of short term investments		91 526 322	107 454 008
Net cash flows from investing activities		<u>(314 402 692)</u>	<u>(383 881 352)</u>
Cash flows from financing activities			
Movement in other financial liabilities		(25 869 708)	145 498 009
Net cash flows from financing activities		<u>(25 869 708)</u>	<u>145 498 009</u>
Net increase/(decrease) in cash and cash equivalents		<u>(58 288 688)</u>	<u>148 807 150</u>
Cash and cash equivalents at the beginning of the year		169 490 533	20 683 383
Cash and cash equivalents at the end of the year	3	<u>111 201 845</u>	<u>169 490 533</u>

* See Note 61

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	929 588 845	-	929 588 845	880 125 828	(49 463 017)	BD1
Construction contracts	-	-	-	5 317 560	5 317 560	
Rental of facilities and equipment	18 831 474	-	18 831 474	13 601 431	(5 230 043)	BD2
Interest received (trading)	11 270 156	-	11 270 156	6 954 471	(4 315 685)	BD3
Agency services	2 851 504	-	2 851 504	2 664 460	(187 044)	
Licences and permits	5 398 023	-	5 398 023	5 725 345	327 322	
Other income - (rollup)	40 490 958	-	40 490 958	40 061 672	(429 286)	BD4
Interest received - investment	42 171 310	-	42 171 310	40 472 002	(1 699 308)	
Total revenue from exchange transactions	1 050 602 270	-	1 050 602 270	994 922 769	(55 679 501)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	356 121 877	-	356 121 877	361 911 541	5 789 664	
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Transfer revenue

Government grants & subsidies	329 554 667	-	329 554 667	285 026 320	(44 528 347)	BD5
Fines, Penalties and Forfeits	98 260 389	-	98 260 389	99 992 810	1 732 421	BD6

Total revenue from non-exchange transactions	783 936 933	-	783 936 933	746 930 671	(37 006 262)	
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Total revenue	1 834 539 203	-	1 834 539 203	1 741 853 440	(92 685 763)	
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Expenditure

Employee related costs	(557 347 891)	-	(557 347 891)	(481 583 057)	75 764 834	BD8
Remuneration of councillors	(19 936 393)	-	(19 936 393)	(19 121 037)	815 356	
Contribution to/from provision	(3 154 539)	-	(3 154 539)	(8 828 974)	(5 674 435)	BD7
Depreciation and amortisation	(194 801 681)	-	(194 801 681)	(192 333 632)	2 468 049	BD9
Impairment loss/ Reversal of impairments	(9 772 000)	-	(9 772 000)	-	9 772 000	BD10
Finance costs	(29 877 000)	-	(29 877 000)	(56 003 899)	(26 126 899)	BD11
Lease rentals on operating lease	(15 448 818)	-	(15 448 818)	(11 837 555)	3 611 263	
Debt Impairment	(72 066 800)	-	(72 066 800)	(123 186 856)	(51 120 056)	BD12
Contribution to allowance for doubtful debt	(35 419 275)	-	(35 419 275)	6 513 822	41 933 097	BD13
Bulk purchases	(426 958 271)	-	(426 958 271)	(445 620 997)	(18 662 726)	
Contracted Services	(244 933 110)	-	(244 933 110)	(183 481 733)	61 451 377	BD14
Transfers and Subsidies	(10 948 600)	-	(10 948 600)	(10 854 823)	93 777	
Cost of housing sold	-	-	-	(700 000)	(700 000)	
General Expenses	(154 851 903)	-	(154 851 903)	(128 781 895)	26 070 008	BD15
Total expenditure	(1 775 516 281)	-	(1 775 516 281)	(1 655 820 636)	119 695 645	

Operating surplus	59 022 922	-	59 022 922	86 032 804	27 009 882	
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Fair value adjustments	-	-	-	(634 971)	(634 971)	BD16
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Gain on biological assets and agricultural produce	-	-	-	33 133	33 133	BD17
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Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Inventories losses/write-downs	-	-	-	709 539	709 539	BD18
	-	-	-	107 701	107 701	
Surplus before taxation	59 022 922	-	59 022 922	86 140 505	27 117 583	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	59 022 922	-	59 022 922	86 140 505	27 117 583	

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	46 863 863	-	46 863 863	111 201 845	64 337 982	BD19
Short term investments	276 298 997	-	276 298 997	306 637 342	30 338 345	
Receivables from exchange transactions	97 770 026	-	97 770 026	111 067 546	13 297 520	BD20
Receivables from non-exchange transactions	71 917 266	-	71 917 266	71 484 038	(433 228)	
Other receivables from exchange transactions	183 168 565	-	183 168 565	14 476 820	(168 691 745)	BD21
Inventories	54 835 500	-	54 835 500	64 142 878	9 307 378	
VAT receivable	-	-	-	30 285 689	30 285 689	BD23
Long term receivables	2 511 098	-	2 511 098	2 800 967	289 869	BD24
	733 365 315	-	733 365 315	712 097 125	(21 268 190)	
Non-Current Assets						
Property, plant and equipment	5 487 327 612	-	5 487 327 612	5 257 747 822	(229 579 790)	
Investment property	417 347 980	-	417 347 980	422 465 905	5 117 925	
Intangible assets	5 577 295	-	5 577 295	9 694 174	4 116 879	BD25
Biological assets that form part of an agricultural activity	9 938 121	-	9 938 121	6 321 448	(3 616 673)	BD26
Heritage assets	2 617 922	-	2 617 922	774 002	(1 843 920)	BD27
Long term receivables	3 876 480	-	3 876 480	3 560 940	(315 540)	
	5 926 685 410	-	5 926 685 410	5 700 564 291	(226 121 119)	
Total Assets	6 660 050 725	-	6 660 050 725	6 412 661 416	(247 389 309)	
Liabilities						
Current Liabilities						
Consumer deposits	14 274 110	-	14 274 110	17 784 517	3 510 407	BD28
Employee benefit obligation	57 583 592	-	57 583 592	78 214 004	20 630 412	BD29
Operating lease liability	-	-	-	4 958 344	4 958 344	BD30
Other financial liabilities	26 310 979	-	26 310 979	26 752 931	441 952	
Payables from exchange transactions	254 131 473	-	254 131 473	270 824 226	16 692 753	
Unspent conditional grants and receipts	-	-	-	8 862 622	8 862 622	BD34
	352 300 154	-	352 300 154	407 396 644	55 096 490	
Non-Current Liabilities						
Other financial liabilities	449 590 720	-	449 590 720	266 177 508	(183 413 212)	BD31
Employee benefit obligation	247 334 744	-	247 334 744	166 519 386	(80 815 358)	BD29
Provisions	46 888 116	-	46 888 116	121 305 978	74 417 862	BD32
	743 813 580	-	743 813 580	554 002 872	(189 810 708)	
Total Liabilities	1 096 113 734	-	1 096 113 734	961 399 516	(134 714 218)	
Net Assets	5 563 936 991	-	5 563 936 991	5 451 261 900	(112 675 091)	

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	5 563 936 991		- 5 563 936 991	5 451 261 900	(112 675 091)	

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	1 387 126 730	-	1 387 126 730	1 342 975 144	(44 151 586)	
Grants	329 554 698	-	329 554 698	240 160 863	(89 393 835)	
Interest income	52 990 660	-	52 990 660	40 472 002	(12 518 658)	
	1 769 672 088	-	1 769 672 088	1 623 608 009	(146 064 079)	

Payments

Suppliers and employees	(1 373 614 512)	-	(1 373 614 512)	(530 497 862)	843 116 650	CF1
Transfers and grants	(10 048 600)	-	(10 048 600)	(779 976 893)	(769 928 293)	CF2
Finance costs	(30 777 000)	-	(30 777 000)	(31 149 574)	(372 574)	
	(1 414 440 112)	-	(1 414 440 112)	(1 341 624 329)	72 815 783	

Net cash flows from operating activities	355 231 976	-	355 231 976	281 983 680	(73 248 296)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(577 904 845)	-	(577 904 845)	(405 798 847)	172 105 998	CF3
Purchase of other intangible assets	-	-	-	(163 200)	(163 200)	
Proceeds from sale of biological assets that form part of an agricultural activity	-	-	-	33 133	33 133	CF8
Movement in investments	-	-	-	91 526 322	91 526 322	CF9
Net cash flows from investing activities	(577 904 845)	-	(577 904 845)	(314 402 592)	263 502 253	

Cash flows from financing activities

Proceeds from other financial	(20 883 078)	-	(20 883 078)	(25 869 708)	(4 986 630)	
Net increase/(decrease) in cash and cash equivalents	(243 555 947)	-	(243 555 947)	(58 288 620)	185 267 327	
Cash and cash equivalents at the beginning of the year	566 718 807	-	566 718 807	169 490 533	(397 228 274)	
Cash and cash equivalents at the end of the year	323 162 860	-	323 162 860	111 201 913	(211 960 947)	

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

Figures in Rand	Note(s)	2020	2019
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1. Presentation of Unaudited Annual Financial Statements

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.3 Internal reserves

Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Self-insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Internal reserves (continued)

Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.4 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Stellenbosch Municipality

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Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Revenue recognition

Accounting Policy 1.16 on Revenue from Exchange Transactions and Accounting Policy 1.17 on Revenue from Nonexchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Impairment of financial assets

Accounting Policy 1.11: Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policy 1.8 and 1.9 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual Financial Statements.

Impairment of non-financial assets

The recoverable amounts of cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and would require a material adjustment to the carrying value of tangible assets.

Stellenbosch Municipality

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Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Provisions

Provisions are raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Effective interest rate

The municipality uses the best estimate of the costs at the reporting date with reference to the inflation rate.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

1.6 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The municipality classifies biological assets as consumables which consist of timber in the form of pine trees. All biological assets are held for sale.

Item	Useful life
Trees in timber plantation - Consumable	indefinite

1.7 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Depreciation is calculated at the straight line method over a period of 30 years

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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Accounting Policies

1.7 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30-99 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the unaudited annual financial statements (see note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the unaudited annual financial statements (see note 11).

1.8 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Measurement

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

Stellenbosch Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Depreciation

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Machinery and equipment	Straight-line	1-25
Furniture and office equipment	Straight-line	2-24
Transport assets	Straight-line	4-20
Computer equipment	Straight-line	5-23
Community assets	Straight-line	4-30
Other property, plant and equipment	Straight-line	6-99
Capital restoration asset	Straight-line	5-30
Electrical infrastructure	Straight-line	10-50
Water supply infrastructure	Straight-line	10-100
Solid waste infrastructure	Straight-line	10-30
Roads infrastructure	Straight-line	10-100

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Accounting Policies

1.8 Financial instruments (continued)

Information and communication infrastructure	Straight-line	3-15
Waste water network	Straight-line	10-100
Stormwater infrastructure	Straight-line	10-50

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.9 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

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Accounting Policies

1.9 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially measured at cost.

Subsequent to initial measurement Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.10 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 14).

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

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Accounting Policies

1.10 Heritage assets (continued)

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.11 Financial instruments

A financial instrument can broadly be defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- a residual interest of another entity; or

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Accounting Policies

1.11 Financial instruments (continued)

- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Stellenbosch Municipality

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Accounting Policies

1.11 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Short term investments	Financial asset measured at amortised cost
Long term receivables	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

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Accounting Policies

1.11 Financial instruments (continued)

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data..

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Stellenbosch Municipality

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Accounting Policies

1.11 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The calculation in respect of the impairment of fines receivable (receivables from non-exchange transactions) is based on an assessment of the past history of fines per category.

Stellenbosch Municipality

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Accounting Policies

1.11 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at amortised cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual payments are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rent are expensed in the period in which they are incurred.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Stellenbosch Municipality

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Accounting Policies

1.14 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.15 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Management has judged all assets as non cash generating assets.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.16 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Stellenbosch Municipality

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Accounting Policies

1.16 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.17 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.17 Employee benefits (continued)

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Stellenbosch Municipality

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Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the unaudited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Stellenbosch Municipality

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Accounting Policies

1.17 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Stellenbosch Municipality

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1.17 Employee benefits (continued)

Other long term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

Long term service awards is payable after 10 years of continuous service and after every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover based on historical staff turnover. No other long service benefits are provided to employees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.18 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.18 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

Provision for constructive obligations

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.18 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

A contingent liability is a:

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Grant-in-aid contributions

Provision is made for any constructive obligations of the municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Stellenbosch Municipality

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognised in total as an accrual as all billing in July pertains to services rendered prior to 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest earned

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of principals has been quantified. The income recognised is in terms of the agency agreement.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Stellenbosch Municipality

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Stellenbosch Municipality

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Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Collection charges and penalties

Collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
 - the amount of revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.21 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Stellenbosch Municipality

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Accounting Policies

1.21 Statutory receivables (continued)

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

Stellenbosch Municipality

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Accounting Policies

1.21 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.22 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Stellenbosch Municipality

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Accounting Policies

1.22 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.23 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 60 for detail.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Stellenbosch Municipality

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Accounting Policies

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

1.29 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.29 Changes in accounting policies, estimates and errors (continued)

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.30 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.31 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.32 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.34 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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2. New standards and interpretations

2.1 Standards and Interpretations early adopted

The municipality has not early adopted any GRAP standard that is not effective.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Not expected to impact results but may result in additional disclosure

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14 220	19 220
Bank balances	21 452 795	169 368 979
Call accounts	89 236 885	-
Lamotte Trust	435 848	-
Trust and charitable bank	62 097	102 334
	111 201 845	169 490 533

Call accounts

ABSA	20 978 744	-
Nedbank	46 299 984	-
Standard bank	21 958 157	-
	89 236 885	-

Included in the call account with Nedbank is an amount of R46 224 000 that is held as a guarantee for a property purchase.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Nedbank - primary account	45 327 087	167 107 031	10 498 115	21 888 643	169 368 979	10 250 972
ABSA bank - current account	1 260 126	1 277 273	1 569 981	-	-	-
Charitable fund	72 097	112 334	22 275	62 097	102 334	22 275
Total	46 659 310	168 496 638	12 090 371	21 950 740	169 471 313	10 273 247

The external loan amount of R 3 737 163 is an restriction on cash and cash equivalents.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
4. Short term investments		
Short term investments		
Fixed deposits	306 637 342	398 163 664
Short term investments include all other investments for a period of 1-12 months that are not included in cash and cash equivalents. The interest rates for these investments range between 7.650% (2months) and 9.050% (12months)		
Short term investments consists of the following:		
FNB - Investments		
Opening balance	-	203 467 342
Interest accrued	-	4 432 932
Withdrawals	-	(207 900 274)
Closing balance	-	-
Nedbank - Investments		
Opening balance	286 762 972	210 391 013
Deposits	356 656 567	330 000 000
Interest accrued	17 254 545	21 685 132
Withdrawals	(537 530 249)	(275 313 173)
Closing balance	123 143 835	286 762 972
Standard Bank - Investments		
Opening balance	50 362 773	102 156 301
Deposits	411 309 291	170 000 000
Interest accrued	12 993 844	5 757 167
Withdrawals	(392 583 717)	(227 550 695)
Closing balance	82 082 191	50 362 773
Investec - Investments		
Opening balance	61 037 918	-
Deposits	-	260 000 000
Interest accrued	101 260	4 880 932
Withdrawals	(61 139 178)	(203 843 014)
Closing balance	-	61 037 918
ABSA - Investments		
Deposits	179 021 256	160 000 000
Interest accrued	2 632 114	1 298 756
Withdrawals	(80 242 055)	(161 298 756)
Closing balance	101 411 315	-
5. Receivables from exchange transactions		
Gross balances		
Electricity	46 755 366	40 181 151
Water	92 074 315	84 298 215
Sewerage	28 652 488	23 192 540
Refuse	26 315 014	22 876 061
Housing rental	27 194 339	27 274 194
Sundry	9 528 432	9 863 657
Electricity accrual	13 552 722	67 102 118
Water accrual	18 398 153	15 522 807
	262 470 829	290 310 743

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
5. Receivables from exchange transactions (continued)		
Less: Allowance for impairment		
Electricity	(9 022 236)	(5 981 186)
Water	(70 800 550)	(66 846 818)
Sewerage	(17 196 507)	(16 152 217)
Refuse	(19 767 391)	(18 354 951)
Housing rental	(25 919 228)	(26 523 545)
Sundry	(8 697 371)	(8 947 653)
	(151 403 283)	(142 806 370)
Net balance		
Electricity	37 733 130	34 199 965
Water	21 273 765	17 451 397
Sewerage	11 455 981	7 040 323
Refuse	6 547 623	4 521 110
Electricity accrual	13 552 722	67 102 118
Water accrual	18 398 153	15 522 807
Housing rental	1 275 111	750 649
Sundry	831 061	916 004
	111 067 546	147 504 373
Electricity		
Current (0 -30 days)	35 776 566	32 624 115
31 - 60 days	1 854 127	1 148 130
61 - 90 days	968 501	639 783
91 - 120 days	474 067	277 050
121 - 365 days	2 608 777	1 066 801
> 365 days	5 073 328	4 425 272
	46 755 366	40 181 151
Water		
Current (0 -30 days)	18 388 855	13 810 713
31 - 60 days	4 470 012	3 070 258
61 - 90 days	4 197 477	2 208 391
91 - 120 days	2 965 459	2 171 375
121 - 365 days	9 205 500	18 687 754
> 365 days	52 847 012	44 349 724
	92 074 315	84 298 215
Sewerage		
Current (0 -30 days)	7 739 092	5 807 634
31 - 60 days	1 443 192	483 993
61 - 90 days	1 135 486	435 064
91 - 120 days	1 475 198	374 823
121 - 365 days	2 545 553	3 100 555
> 365 days	14 313 967	12 990 471
	28 652 488	23 192 540

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
5. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	5 284 928	3 383 765
31 - 60 days	754 343	498 839
61 - 90 days	609 919	389 466
91 - 120 days	428 716	372 158
121 - 365 days	3 084 599	3 402 793
> 365 days	16 152 509	14 829 040
	26 315 014	22 876 061
Electricity accrual		
Current (0 -30 days)	13 552 722	67 102 118
Water accrual		
Current (0 -30 days)	18 398 153	15 522 807
Housing rental		
Current (0 -30 days)	504 690	259 533
31 - 60 days	167 935	143 963
61 - 90 days	1 016 980	135 487
91 - 120 days	121 477	1 016 963
121 - 365 days	628 666	937 822
> 365 days	24 754 591	24 780 426
	27 194 339	27 274 194
Sundry		
Current (0 -30 days)	497 945	685 070
31 - 60 days	79 498	132 050
61 - 90 days	166 344	145 872
91 - 120 days	268 495	115 192
121 - 365 days	970 687	614 853
> 365 days	7 545 463	8 170 620
	9 528 432	9 863 657
Reconciliation of allowance for impairment		
Balance at beginning of the year	(142 806 370)	(121 985 735)
Contributions to allowance	(8 596 913)	(20 820 635)
	(151 403 283)	(142 806 370)

Receivables from exchange transactions past due but not impaired

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

Debtors to the amount of R16 million have been ceded to the Development Bank of Southern Africa in providing security for a loan raised from them.

The water and electricity accrual is in respect of consumption between the last meter reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. The estimate of the consumption are being recorded as revenue without being invoiced.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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5. Receivables from exchange transactions (continued)

Government debt as at 30 June 2020

Department responsible for debt	Services	Interest	Sundry	Total
Nat. dept of Public Works	3 918 892	81 029	11 497	4 011 418
Prov. dept of Transport and Public Works	19 298	541	550	20 389
Western Cape Education department	1 339 795	449	399	1 340 643
Department of Health	337 406	-	-	337 406
Dept of local government and housing	8 672	859	918	10 449
Other government departments	10 852	72	201	11 125
	5 634 915	82 950	13 565	5 731 430

Consumer debtors past due but not impaired

Consumer debtors which are more than 30 days past due but not impaired. At 30 June 2020, R 14 062 800 (2019: R 6 713 380) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

2020	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Electricity	949 267	537 786	209 660	327 155	88 701	2 112 569
Water	1 362 418	1 000 805	623 436	905 428	1 452 310	5 344 397
Sewerage	703 193	799 582	1 191 547	356 872	658 353	3 709 547
Refuse	307 193	199 527	97 200	370 113	621 305	1 595 338
Housing rental	44 456	767 264	19 141	32 237	76 992	940 090
Sundry	42 551	50 315	64 027	89 185	114 781	360 859
	3 409 078	3 355 279	2 205 011	2 080 990	3 012 442	14 062 800

2019	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Electricity	429 510	100 721	63 293	206 123	139 000	938 647
Water	557 643	308 579	225 389	1 375 192	884 864	3 351 667
Sewerage	172 159	115 625	63 333	258 502	307 537	917 156
Refuse	124 433	68 557	52 974	237 042	309 063	792 069
Housing rental	29 621	18 130	277 371	72 463	93 533	491 118
Sundry	35 012	27 577	23 419	56 661	80 054	222 723
	1 348 378	639 189	705 779	2 205 983	1 814 051	6 713 380

6. Receivables from non-exchange transactions

Capital receivables represent funding that Council is awaiting from external institutions for capital expenditure incurred and claimed, but not yet received at year-end.

The average credit period for capital receivables is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding capital receivables. The subsidies are payable to the municipality resulting from allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Gross balances

Grant receivables	18 301 323	15 297 872
Fines	160 924 858	178 242 746
Property rates	44 671 127	39 148 816
Other receivables	938 577	808 210
	224 835 885	233 497 644

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
6. Receivables from non-exchange transactions (continued)		
Less: Allowance for impairment		
Fines	(127 937 315)	(142 321 642)
Property rates	(25 414 532)	(25 209 343)
	(153 351 847)	(167 530 985)
Net balance		
Capital receivables	18 301 323	15 297 872
Fines	32 987 543	35 921 104
Property rates	19 256 595	13 939 473
Other receivables	938 577	808 210
	71 484 038	65 966 659
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	19 256 595	13 939 473
Fines	32 987 543	35 921 104
	52 244 138	49 860 577
Financial asset receivables included in receivables from non-exchange transactions above	19 239 900	16 106 082
Total receivables from non-exchange transactions	71 484 038	65 966 659
Fines		
Current (0 -30 days)	6 213 085	16 915 892
31 - 60 days	9 319 628	12 135 462
61 - 90 days	10 393 840	11 927 257
91 - 120 days	6 997 599	8 029 964
121 - 365 days	37 278 511	61 530 102
> 365 days	90 722 195	67 704 069
	160 924 858	178 242 746
Capital receivables		
Current (0 -30 days)	10 330 316	12 119 045
121 - 365 days	9 549 740	-
> 365 days	3 738 827	3 178 827
	23 618 883	15 297 872
Property rates		
Current (0 -30 days)	19 890 575	16 047 171
31 - 60 days	2 397 437	978 421
61 - 90 days	1 230 845	535 796
91 - 120 days	707 787	539 047
121 - 365 days	5 109 347	5 178 110
> 365 days	15 335 136	15 870 271
	44 671 127	39 148 816
Other receivables from non-exchange revenue		
Current (0 -30 days)	-	56 000
> 365 days	938 577	752 210
	938 577	808 210

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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6. Receivables from non-exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(167 530 985)	(164 256 148)
Contributions to allowance	14 179 138	(3 274 837)
	(153 351 847)	(167 530 985)

As at 30 June 2020, consumer debtors of R4 109 614 (2019: R1 764 383) were past due but not impaired.

2020	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Property rates	1 559 532	576 868	243 640	719 761	1 009 812	4 109 614
2019	31-60 days	61-90 days	91-120 days	121-365 days	>365 days	Total
Property rates	434 142	165 413	132 038	576 796	455 994	1 764 383

7. Other receivables from exchange transactions

Prepayments	3 651 254	5 879 933
Deposits	1 589 255	1 182 720
Construction receivable	5 317 560	-
Public safety account	949 296	949 296
Special rating area debtor	444 588	337 827
Other receivable	1 259 053	7 104 935
Parking debtor	1 265 814	455 256
	14 476 820	15 909 967

8. Inventories

Consumable stores	2 054 125	6 586 601
Maintenance materials	34 586 872	29 561 982
Water for distribution	1 805 053	1 896 630
Land inventory	14 146 828	14 262 729
Housing inventory	11 550 000	12 250 000
	64 142 878	64 557 942

Inventories recognised as an expense during the year	32 432 482	25 087 435
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The amount of inventory reversed/ (written down) is R709 539 (2019: (R4 061 381)) and is recognised as an expense and a reduction in the carrying value of inventories. The circumstances relating to the write down is as a result of stock adjustments and shortages on general stock items as reported and approved accordingly.

No inventories were pledged as securities.

The comparative amounts were restated. Refer to note 61

9. VAT receivable

VAT	30 285 689	48 168 490
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Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

2020

2019

10. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	486 975 698	(27 052 477)	459 923 221	422 899 301	(27 052 477)	395 846 824
Machinery and equipment	69 605 402	(24 211 700)	45 393 702	57 972 643	(17 742 308)	40 230 335
Furniture and office equipment	43 135 486	(28 944 143)	14 191 343	40 447 652	(25 088 163)	15 359 489
Transport assets	153 265 906	(56 680 922)	96 584 984	123 061 480	(46 288 647)	76 772 833
Computer equipment	53 651 586	(29 260 038)	24 391 548	43 245 260	(22 060 276)	21 184 984
Community assets	103 880 597	(14 460 911)	89 419 686	90 030 057	(11 555 441)	78 474 616
Other property, plant and equipment	508 236 466	(79 056 192)	429 180 274	490 842 026	(69 071 872)	421 770 154
Capital restoration asset	13 510 984	(6 914 475)	6 596 509	11 141 169	331 285	11 472 454
Electrical infrastructure	1 328 810 026	(377 124 799)	951 685 227	1 294 210 443	(342 728 135)	951 482 308
Water supply infrastructure	1 706 352 870	(379 606 299)	1 326 746 571	1 670 817 951	(343 135 377)	1 327 682 574
Solid waste infrastructure	81 220 297	(30 075 170)	51 145 127	59 142 309	(28 608 563)	30 533 746
Roads infrastructure	1 159 337 623	(387 111 110)	772 226 513	1 094 827 510	(344 158 581)	750 668 929
Information and communication infrastructure	3 945 508	(2 296 107)	1 649 401	3 210 627	(1 860 443)	1 350 184
Wastewater network	1 127 953 042	(156 014 698)	971 938 344	1 030 699 083	(129 588 054)	901 111 029
Stormwater infrastructure	63 522 107	(46 846 735)	16 675 372	62 687 324	(45 877 343)	16 809 981
Total	6 903 403 598	(1 645 655 776)	5 257 747 822	6 495 234 835	(1 454 484 395)	5 040 750 440

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	395 846 824	64 076 397	-	-	-	459 923 221
Machinery and equipment	40 230 335	11 632 759	-	-	(6 469 392)	45 393 702
Furniture and office equipment	15 359 489	2 687 834	-	-	(3 855 980)	14 191 343
Transport assets	76 772 833	30 204 426	-	-	(10 392 275)	96 584 984
Computer equipment	21 184 984	10 406 327	-	-	(7 199 763)	24 391 548
Community assets	78 474 616	13 850 539	-	-	(2 905 469)	89 419 686
Other property, plant and equipment	421 770 154	17 394 440	-	-	(9 984 320)	429 180 274
Capital restoration asset	11 472 454	-	-	2 369 815	(7 245 760)	6 596 509
Electrical infrastructure	951 482 308	34 599 584	(1 634 778)	-	(32 761 887)	951 685 227
Water supply infrastructure	1 327 682 574	35 534 919	-	-	(36 470 922)	1 326 746 571
Solid waste infrastructure	30 533 746	22 077 988	-	-	(1 466 607)	51 145 127
Roads infrastructure	750 668 929	64 510 113	-	-	(42 952 529)	772 226 513
Information and communication infrastructure	1 350 184	734 880	-	-	(435 663)	1 649 401
Wastewater network	901 111 029	97 253 958	-	-	(26 426 643)	971 938 344
Stormwater infrastructure	16 809 981	834 783	-	-	(969 392)	16 675 372
	5 040 750 440	405 798 947	(1 634 778)	2 369 815	(189 536 602)	5 257 747 822

Stellenbosch Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	395 846 824	-	-	-	-	395 846 824
Machinery and equipment	40 336 634	9 171 765	(1 546 065)	(7 731 999)	-	40 230 335
Furniture and office equipment	14 545 524	5 871 835	(597 600)	(4 460 270)	-	15 359 489
Transport assets	78 389 384	11 615 259	(2 482 307)	(9 260 221)	(1 489 282)	76 772 833
Computer equipment	21 688 195	7 801 312	(1 182 552)	(7 121 971)	-	21 184 984
Community assets	69 369 501	11 645 619	(36 222)	(2 504 282)	-	78 474 616
Other property, plant and equipment	344 504 872	87 218 131	(1 022 318)	(8 930 531)	-	421 770 154
Capital restoration asset	902 466	11 141 169	-	(571 181)	-	11 472 454
Electrical infrastructure	899 951 503	86 468 273	-	(34 937 468)	-	951 482 308
Water supply infrastructure	1 305 597 966	59 960 927	(465)	(37 689 912)	(185 942)	1 327 682 574
Solid waste infrastructure	31 780 970	728 316	-	(1 975 540)	-	30 533 746
Roads infrastructure	720 455 976	74 178 869	-	(43 965 916)	-	750 668 929
Information and communication infrastructure	715 953	907 873	(9 891)	(263 751)	-	1 350 184
Wastewater network	810 333 073	119 400 732	(151 229)	(28 440 859)	(30 688)	901 111 029
Stormwater infrastructure	16 187 002	1 815 643	-	(1 192 664)	-	16 809 981
	4 750 605 843	487 925 723	(7 028 649)	(189 046 565)	(1 705 912)	5 040 750 440

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
10. Property, plant and equipment (continued)		
Work in progress		
Community assets	32 010 587	26 523 244
Electrical infrastructure	169 095 646	141 502 726
Furniture and office equipment	-	217 315
Roads infrastructure	128 544 503	86 823 968
Stormwater infrastructure	2 432 470	1 597 688
Solid waste infrastructure	25 857 832	4 138 445
Sanitation infrastructure	183 196 432	86 577 738
Water infrastructure	195 166 664	153 079 308
Machinery and equipment	157 653	744 489
Other property, plant and equipment	98 136 515	88 310 921
	834 598 302	589 515 842

The comparative amounts were restated. Refer to note 61.23

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Community assets	8 147 815	6 409 076
Electrical infrastructure	1 230 754	7 790 204
Furniture and office equipment	9 461 229	10 066 464
Other property, plant and equipment	532 552	6 737 392
Roads infrastructure	8 007 709	3 862 340
Sanitation infrastructure	1 951 783	5 186 700
Solid waste infrastructure	1 125 464	530 467
Stormwater infrastructure	11 762 052	4 621 149
Transport assets	15 634 122	9 630 001
Water supply infrastructure	438 915	6 089 595
	58 292 395	60 923 388

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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11. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	439 627 203	(17 161 298)	422 465 905	439 997 732	(17 160 279)	422 837 453

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Investment property	422 837 453	(371 548)	422 465 905

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	423 207 981	(370 528)	422 837 453

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

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12. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	18 985 754	(9 291 580)	9 694 174	18 822 554	(6 866 104)	11 956 450

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	11 956 450	163 200	(2 425 476)	9 694 174

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	8 430 823	5 377 971	(1 852 344)	11 956 450

13. Biological assets that form part of an agricultural activity

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in timber plantation - Consumable	6 321 448	-	6 321 448	6 321 448	-	6 321 448

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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13. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2020

	Opening balance	Total
Trees in timber plantation - Consumable	6 321 448	6 321 448

Reconciliation of biological assets that form part of an agricultural activity - 2019

	Opening balance	Total
Trees in timber plantation - Consumable	6 321 448	6 321 448

Financial information

2020 Nature and quantities of each biological asset	Opening Balance	Decrease due to Harvest	Fair value (decrease) /increase	Closing balance
Botmanskop Plantation	861 605	-	-	861 605
Paradyskloof Plantation	5 459 843	-	-	5 459 843
	6 321 448	-	-	6 321 448

2019 Nature and quantities of each biological asset	Opening Balance	Decrease due to Harvest	Fair value (decrease) /increase	Closing balance
Botmanskop plantation	861 605	-	-	861 605
Paradyskloof Plantation	5 459 843	-	-	5 459 843
	6 321 448	-	-	6 321 448

The determination of fair value was as follow:

Principle:

Price determination: was done on the basis of current sale value of the tender for the current year i.e. R602.10/m³ excluding 15% VAT . This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m³/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

Description of the Biological Assets

1. Botmanskop plantation (Block E)
Some compartments remain which can be harvested at a later stage due to the age of the trees.
2. Paradyskloof plantation (Block G)
Some compartments remain which can be harvested at a later stage due to the age of the trees.

Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

14. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Collections of rare books, manuscripts and records	143 945	-	143 945	143 945	-	143 945
Historical monuments	630 057	-	630 057	630 057	-	630 057
Total	774 002	-	774 002	774 002	-	774 002

Reconciliation of heritage assets 2020

	Opening balance	Total
Collections of rare books, manuscripts and records	143 945	143 945
Historical monuments	630 057	630 057
	774 002	774 002

Reconciliation of heritage assets 2019

	Opening balance	Total
Collections of rare books, manuscripts and records	143 945	143 945
Historical monuments	630 057	630 057
	774 002	774 002

Stellenbosch Municipality

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Figures in Rand	2020	2019
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14. Heritage assets (continued)

Heritage assets used for more than one purpose

A significant portion of the following heritage assets are used for office accommodation and is therefore included in the balance of property, plant and equipment:

The following heritage assets are used by the municipality for more than one purpose

Neethlingshuis and De Withuis	63 560 055	67 350 000
58 - 60 Andringa Street	1 892 985	2 000 000
35B Mark Street	3 152 616	3 250 000
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	12 723 603	13 050 000
116 - 118 Dorp Street, Voorgelegen - offices	5 585 970	5 800 000
4 Reservoir West, Mooiwater	2 084 388	2 170 000
34 Mark Street, Rynse Komplex; Toy Museum, Tourism	8 223 604	8 550 000
PMU Building, Alexander Street, Burger Huis	1 580 440	1 650 000
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	62 310 290	64 350 000
Die Laan, Landbou Saal	4 352 765	5 950 000
	165 466 716	174 120 000

15. Long term receivables

At amortised cost

Arrangement debtors	6 200 897	4 464 106
Officials: Erven loans	-	116
Farmers: Water Schemes	161 010	191 736
	6 361 907	4 655 958

Non-current assets

At amortised cost	3 560 940	3 024 999
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Current assets

At amortised cost	2 800 967	1 630 959
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16. Consumer deposits

Electricity	10 750 546	10 374 233
Water	6 314 304	6 005 431
Housing rental	719 667	698 248
	17 784 517	17 077 912

17. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Salary Control	6 011 417	5 458 796
Leave gratuity	30 056 890	26 391 625
Bonus accrual	13 044 083	11 918 177
Post-Retirement Medical Obligation	169 099 000	187 508 063
Long Service Awards	26 522 000	26 153 883

Net liability	244 733 390	257 430 544
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Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
17. Employee benefit obligations (continued)		
Non-current assets	-	-
Current assets	-	-
Non-current liabilities	166 519 386	201 830 792
Current liabilities	78 214 004	55 599 752
	244 733 390	257 430 544

17.1 Post- retirement healthcare benefit liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2020 by C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

The members of the post-employment health care benefit plan are made up as follows:

In-service members (Employees)	668	653
Continuation members (Retirees, widow(ers) and orphans)	162	171
Total members	830	824

The liability in respect of past service has been estimated as follows:

In-service members	63 812 000	74 392 000
In-service non-members	6 777 000	-
Continuation members	98 510 000	113 116 000
Total liability	169 099 000	187 508 000

The Non-member take up rate increased from previous estimate of 0% to 15%. This change was implemented after reviewing the actual trend of take up rate. The Non-member take up rate refers to the proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

i) Rates of Interest

Discount rate	10.22 %	9.33 %
Health care cost inflation rate	6.30 %	6.79 %
Net effective discount rate	3.69 %	2.38 %

ii) Normal retirement age

Expected retirement age - females	62	63
Expected retirement age - males	62	63

The PA (90) ultimate mortality table was used by the actuaries

Pre-retirement: The SA 85-90 ultimate table, adjusted for female lives, was used.

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	187 508 063	198 749 139
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Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
17. Employee benefit obligations (continued)		
Current service costs	5 448 228	7 945 828
Interest cost	17 096 614	18 580 276
Actual employee benefits payments	(8 767 265)	(8 231 483)
Actuarial (losses) / gains	(32 186 640)	(29 535 697)
Present Value of Fund Obligation at the end of the Year	169 099 000	187 508 063
Current liability	8 870 000	8 723 730
The amounts recognised in the Statement of Financial Position are as follows		
Net Liability	169 099 000	187 508 063
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	5 448 228	7 945 828
Interest cost	17 096 614	18 580 276
Actuarial (gain)/ loss recognised in profit and loss	(32 186 640)	(29 535 697)
	(9 641 798)	(3 009 593)
Amounts for the current and previous four periods are as follows:		
Present value of unfunded defined benefit		
2020		169 099 000
2019		187 508 063
2018		198 749 139
2017		201 981 567
2016		192 290 959

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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17. Employee benefit obligations (continued)

Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		70.589	98.510	169.099	
Health care inflation	1 % (1)%	84.833 59.276	107.988 90.309	192.821 149.585	14 % (12)%
Discount rate	1 % (1)%	59.726 84.407	90.648 107.716	150.374 192.123	(11)% 14 %
Post-retirement mortality	1 yr (1)	68.814 72.341	95.328 101.695	164.142 174.036	(3)% 3
Average retirement age	-1 yr	76.890	98.510	175.400	4 %
Continuation of membership at retirement	(10)%	58.244	98.510	156.754	(7)%

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest cost	Total	% change
Central assumptions		5 448 200	17 096 600	22 544 800	
Health care inflation	1 % (1)%	6 841 000 4 387 000	19 766 800 14 929 900	26 608 700 19 316 900	18 % (14)%
Discount rate	1 % (1)%	4 457 300 6 756 900	16 598 800 17 611 400	21 056 100 24 368 300	(7)% 8 %
Post-retirement mortality	-1 year	5 601 400	17 664 400	23 265 800	3 %
Average retirement age	-1 year	5 756 800	17 644 400	23 401 200	4 %
Continuation of membership at retirement	(10)%	4 808 300	16 251 200	21 059 500	(7)%

Mortality Rates

Post retirement: PA (90) ultimate Mortality table was used.

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

Continuation of Membership

With the appointment of ARCH Actuarial Consulting for the year ending 30 June 2020.

17.2 Long Service Awards

Total Liability

Opening balance	26 153 883	29 621 885
Additions	4 103 046	4 845 730
Utilised during the year	(3 090 886)	(2 436 254)
Actuarial (gains) losses	(644 043)	(5 877 479)
	26 522 000	26 153 882
Current Liability	3 135 000	3 107 424
Non Current Liability	23 387 000	23 046 458
	26 522 000	26 153 882

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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17. Employee benefit obligations (continued)

Movement in the present value of Long Service Awards were as follows:

Opening balance	26 153 883	29 621 885
Current service cost	2 088 254	2 388 150
Interest cost	2 014 792	2 457 580
Actuarial (gains) losses	(644 043)	(5 877 479)
Benefits paid	(3 090 886)	(2 436 254)
Total included in employee related costs	26 522 000	26 153 882

The amount recognised in the Statement of Financial Position are as follows:

Present value of long service awards	26 522 000	26 153 882
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The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	2 088 254	2 388 150
Interest cost	2 014 792	2 457 580
Actuarial gains (losses)	(644 043)	(5 877 479)
Closing balance	3 459 003	(1 031 749)

Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover. No other long service benefits are provided to employees.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.46 %	8.18 %
General salary inflation	4.03 %	5.57 %
Net effective discount rate	3.30 %	2.47 %

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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17. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Accrued liabilities	26 522 000	26 153 882	29 621 885	28 469 818	27 719 640

Sensitivity analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		26.522	
General salary inflation	1 % (1)%	28.278 24.941	7 % (6)%
Discount rate	1 % (1)%	24.897 28.358	(6)% 7 %
Average retirement age	+ 2 years - 2 years	29.923 22.291	13 % (16)%
Withdrawal rates	(50)%	29.920	13 %

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		2 088 300	2 014 800	4 103 100	
General salary inflation	1 % (1)%	2 276 100 1 922 200	2 158 700 1 885 000	4 434 800 3 807 200	8 % (7)%
Discount rate	1 % (1)%	1 935 800 2 263 200	2 110 700 1 901 300	4 046 500 4 164 500	(1)% 1 %
Average retirement age	+2 years -2 years	2 308 300 1 804 600	2 277 400 1 678 000	4 585 700 3 482 600	12 % (15)%
Withdrawal rates	(50)%	2 534 100	2 300 700	4 834 800	18 %

Stellenbosch Municipality

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18. Operating lease liability

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	5 775 015	173 234
Operating lease expenses recorded	(1 070 046)	(882 280)
Operating lease revenue realised	(40 195)	(133 039)
Operating lease payments effected	293 570	6 617 100
	4 958 344	5 775 015

Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Amounts Payable under Operating Leases

At the reporting date, the municipality had outstanding commitments under non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Buildings:

Up to 1 year	5 751 175	4 098 225
2 to 5 years	7 717 777	13 468 952
	13 468 952	17 567 177

The following payments have been recognised as an expense in the Statement of Financial Performance:

Total operating lease expenses

Lease rentals on operating lease	11 837 555	2 666 984
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The following amounts have been recognised as revenue in the Statement of Financial Performance:

Total operating lease income

Minimum lease income	(40 195)	(133 039)
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No restrictions have been imposed on the municipality in terms of the operating lease agreements.

The comparative figures were restated. Refer to note 61.10

19. Other financial liabilities

At amortised cost

Other financial liability	292 930 439	318 800 147
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Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.

The municipality entered into a loan agreement with Nedbank limited during the 2019 financial year for a period of 10 years at a fixed interest rate of 9.7%.

Non-current liabilities

At amortised cost	266 177 508	292 930 440
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Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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19. Other financial liabilities (continued)

Current liabilities

At amortised cost	26 752 931	25 869 707
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20. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	102 344 476	18 961 502	121 305 978

Reconciliation of provisions - 2019

	Opening Balance	Additions	Current portion	Total
Environmental rehabilitation	79 165 186	22 536 381	642 909	102 344 476
Non-current liabilities			121 305 978	101 701 567
Current liabilities			-	642 909
			121 305 978	102 344 476

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R121 305 978 (2019: R102 344 476) to restore the site at the end of its useful life, estimated to be in the 2019/2020 financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

The unwinding of the provision for landfill site for the current year was R7 757 711 (2019: R6 174 066) was included in the finance cost in the statement of financial performance.

No expenditure was incurred for the year under review.

Cells 1 and 2 have reached full capacity and must be rehabilitated. Cell 3 has come into use at the end of 30 June 2013 financial year and is the current landfill site in use.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2020

Key cost parameters:

- Estimated post closure rehabilitation time 3 years
- Inflation rate 4.8% (2019: 5.3%%)
- Discount rate at the weighted average cost of capital 7.75% (2019: 7.58%)

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
21. Payables from exchange transactions		
Trade and other payables	165 428 391	176 718 923
Construction advances	-	1 425 745
Khaya Lam free market foundation	47 540	32 780
Collection fees	190 664	190 664
Deposit sale of land	11 114 923	1 297 302
Don and Pat Bilton	256 056	256 056
Ex gratia pension fund (BDM)	123 541	123 541
Housing beneficiary contribution	115 787	115 787
Grouplife	2 423 664	2 423 664
Impounded vehicles	-	29 100
Libraries	54 561	59 815
Payments received in advanced	12 187 830	12 926 302
Prepaid electricity	6 332 743	8 383 071
Retention	45 557 346	46 838 439
Other creditors	25 010 709	18 852 743
Sundry deposits	1 972 753	1 780 617
Bond Warranties and MTO Forestry	7 718	7 718
	270 824 226	271 462 267

The comparative figures were restated. Refer to note 61.8

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Cape Winelands District grant	2 030 541	-
Charitable fund	72 097	112 334
Community development support grant	37 296	-
Development of sport and recreational facilities	67 669	67 669
Fire services capacity building grant	-	3 003 000
Housing consumer education	68 010	68 010
Housing settlement agreement	220 103	220 103
Human settlement grant - capital	315 027	45 859 611
Khaya Lam free market foundation	102 000	-
Lamotte trust fund	3 080 872	2 417 404
Local government graduate internship and capacity building	433 752	520 590
Municipal accreditation and capacity building grant	-	167 980
National lottery	307 361	458 775
Natural resources management grant	-	2 088 828
Other sources	288 184	288 184
Title deed restoration grant	1 839 710	3 773 151
	8 862 622	59 045 639

The nature and extent of government grants recognised in the unaudited annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 33 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

The comparative amounts were restated. Refer to note 61.9

Stellenbosch Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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23. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2020

	Capital replacement reserve	Self insurance reserve	Housing development fund	Accumulated surplus	Total
Opening balance	160 497 338	9 885 492	(9 396 229)	5 204 134 802	5 365 121 403
Surplus for the year	-	-	-	86 140 505	86 140 505
Transfer to capital replacement reserve	336 762 309	-	-	(336 762 309)	-
Property, plant and equipment purchases	(247 535 390)	-	-	247 535 390	-
	249 724 257	9 885 492	(9 396 229)	5 201 048 388	5 451 261 908

Ring-fenced internal funds and reserves within accumulated surplus - 2019

	Capital replacement reserve	Insurance reserve	Housing development fund	Accumulated surplus	Total
Opening balance	116 134 076	9 885 492	(9 396 229)	5 124 941 297	5 241 564 636
Surplus for the year	-	-	-	123 556 757	123 556 757
Transfer to capital replacement reserve	310 518 232	-	-	(310 518 232)	-
Property, plant and equipment purchases	(266 154 970)	-	-	266 154 970	-
	160 497 338	9 885 492	(9 396 229)	5 204 134 792	5 365 121 393

The capital replacement reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The self insurance reserve is used to offset potential losses or claims of assets that cannot be insured externally.

The housing development fund is depleted. There is no cash or surplus generated from the fund. Therefore any additional cost must be carried by the municipality as part of its operations.

Refer to statement of changes in net assets for more detail and the movement on accumulated surplus.

24. Service charges

Sale of electricity	562 275 303	531 494 348
Sale of water	171 631 994	147 275 947
Solid waste	62 956 545	55 127 852
Sewerage and sanitation charges	83 261 986	83 861 916
	880 125 828	817 760 063

The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. Construction revenue

Topstructure

Idasvalley housing project	5 317 560	-
Watergang housing project	-	1 044 546
	5 317 560	1 044 546

The comparative amounts were restated. Refer to note 61.12 .

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
26. Rental of facilities and equipment		
Premises		
Rental revenue from other facilities	3 363 768	7 400 169
Rental revenue from buildings	136 656	134 805
Rental revenue from housing schemes	7 208 972	7 652 197
	10 709 396	15 187 171
Facilities and equipment		
Rental revenue from land	2 892 035	2 703 750
	13 601 431	17 890 921
27. Interest earned- outstanding receivables		
Sundry	-	147
Electricity	677 176	796 089
Water	4 116 971	4 768 050
Waste water management	1 050 384	1 407 150
Waste management	1 109 940	1 053 445
	6 954 471	8 024 881
28. Agency services		
Vehicle Registration	2 664 460	2 833 175
The municipality collects licence fees on behalf of the Provincial Government Western Cape and receives a 12% agency fee.		
The municipality, as an agent, recognises only the portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.		
No resources are held by the municipality on behalf of the principle.		
29. Licences and permits (exchange)		
Licences and permits	5 725 345	6 610 962

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
30. Other income		
Application fees	387 648	552 457
Building clause	56 291	176 674
Building plan fees	4 171 623	6 569 688
Cemetery and burial	937 472	859 210
Clearance certificates	242 747	348 522
Collection fees	1 601 270	1 220 121
Entrance fees	559 140	380 480
Flamable substance	206 771	352 862
Merchandising, jobbing and contracts	1 949 293	2 714 189
Parking revenue	10 224 268	5 878 274
Removal of restrictions	1 589 031	798 036
Skills development levy	769 889	800 235
Special rating area	5 585 885	5 365 090
Staff recoveries	724 737	562 661
Sundry	780 264	894 022
Development charges	10 275 343	13 051 028
	40 061 672	40 523 549

The amounts disclosed above are in respect of services, other than described in notes 24 and 25 rendered which are billed to or paid for by users as the services are reclaimed according to approved tariffs or offers received in terms of supply chain procedures, i.e wood sales.

31. Investment revenue

Interest revenue

Bank	7 490 240	6 216 908
Investment deposits	32 981 762	38 054 919
	40 472 002	44 271 827

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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32. Property rates

Rates received

Residential	173 866 187	160 102 576
Commercial	166 375 971	151 667 440
Agricultural	21 669 383	21 187 884
	361 911 541	332 957 900

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last valuation came into effect on 1 July 2017. With reference to S78 of the Municipal Property Rates Act four reviews have been finalised and one interim valuation was performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2020:

R 0.011175 - Non Residential (2019: R0.010493)

R 0.005080 - Residential (2019: R 0.004770)

R 0.001271 - Agricultural (2019: R 0.001193)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 7 October. Interest is levied as per council's Credit Control and Debt Collection Policy on outstanding rates amounts.

Relief measures

The relief measures on property rates are generally described in paragraph 8 of the approved Rates Policy of the municipality. This includes the specific under mentioned relief measures:

Rebate and gross monthly household income for Qualifying senior citizens and Disabled persons	Gross monthly household income	% Rebate
	Up to R8 000	100%
	From R8 001 to R 10 000	75%
	From R10 001 to R12 000	50%
	From R12 001 to R15 000	25%

Municipal valuation threshold value

On qualifying residential properties, up to a maximum value of R200 000, which amount includes the R15 000 as per Section 17(1)(h) of the MPRA and the R185 000 reduction granted as per paragraph 8.2.1(ii) of the approved Rates policy. Paragraph 8.2.1 (ii) is only applicable on properties with valuations up to R5 000 000.

Stellenbosch special rebate

A rebate of 20% may be granted as per paragraph 8.6 of the approved Rates policy of the municipality.

Other rebates

Rebates have also been granted to qualifying non-profit organisations and to organisations who qualified for the rebate as defined in paragraph 8.11 of the approved Rates policy. Any other exclusions or exemptions have been granted in accordance with the Local Government Property Rates Act.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
33. Government grants and subsidies		
Operating grants		
Equitable share	136 177 000	124 176 000
Khaya Lam free market research foundation	-	222 500
Title deeds restoration grant	1 933 440	410 000
Cape Winelands disaster grant	472 126	-
Local government financial management grant	1 550 000	1 550 000
Community development workers	18 704	56 000
Housing accreditation grant	167 980	56 020
Municipal disaster management grant	209 000	-
Library services support grant	12 454 000	12 210 000
Local government support grant	900 000	-
Maintenance and construction of transport infrastructure	384 000	371 000
Taapie COVID-19 donation	132 023	-
Local government graduate internship and capacity building	446 248	151 410
Expanded public workers programme support grant	5 227 000	5 722 000
Local government financial management support grant	255 000	255 000
LG SETA Discretionary grant	62 706	-
Natural resources management grant	90 870	270 672
Development bank of South Africa	172 147	-
	160 652 244	145 450 602
Capital grants		
National lottery	151 414	200 000
Integrated urban development grant	46 886 000	35 107 000
Integrated national electrification programme grant	15 640 000	5 000 000
Integrated transport planning grant	600 000	600 000
Shared economic infrastructure facility	-	3 561 097
Human settlement development grant	56 593 662	43 513 977
Fire services capacity building grant	3 003 000	-
Regional socio-economic project/violence through urban upgrading	1 500 000	-
	124 374 076	87 982 074
	285 026 320	233 432 676
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	148 849 320	109 958 499
Unconditional grants received	136 177 000	124 176 000
	285 026 320	234 134 499
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Bulk basic services are also provided free of charge to informal settlements to ensure that these communities have access to basic services.		
Title deeds development grant		
Balance unspent at beginning of the year	3 773 151	2 701 901
Current-year receipts	-	1 481 250
Conditions met - transferred to revenue	(1 933 441)	(410 000)
	1 839 710	3 773 151

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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33. Government grants and subsidies (continued)

To provide funding for the eradication of the Pre-2014 title-deeds registration backlog and the professional fees associated with it, including beneficiary verification. Refer to note 22.

The municipality, as an agent, receives a grant from the Department of Human Settlements (principle) to register properties on behalf of the beneficiaries for low cost housing projects.

Title deeds development grant could not be fully spent due to the complexity of the programme. The grant funding provided is utilized for the registration of properties which were built before 2004 up to 2010. The municipality is grappling with deceased estates which take longer to register, missing beneficiaries, houses that were built but wrongly allocated on the subsidy system. The above obstacles encountered have been raised at the quarterly meetings with the Department of Human Settlements.

The municipality is not a custodian of any assets of the principle.

The municipality does not recognise any compensation for the services provided on behalf of the principle.

Local government financial management grant

Current-year receipts	1 550 000	1 550 000
Conditions met - transferred to revenue	(1 550 000)	(1 550 000)
	-	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

National resource management grant

Balance unspent at beginning of the year	2 088 828	-
Current-year receipts	-	2 359 500
Conditions met - transferred to revenue	(90 870)	(270 672)
Other	(1 997 958)	-
	-	2 088 828

To ensure that responsibilities relating to water resource management, biological diversity and the functioning of natural systems whilst ensuring meaningful livelihood opportunities are supported for those employed on these programmes.

Integrated national electrification programme grant

Current-year receipts	15 640 000	5 000 000
Conditions met - transferred to revenue	(15 640 000)	(5 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new, and normalisation), and the installation of relevant bulk infrastructure.

Integrated urban development grant

Current-year receipts	46 886 000	35 107 000
Conditions met - transferred to revenue	(46 886 000)	(35 107 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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33. Government grants and subsidies (continued)

To provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure. To ensure that public investments are spatially aligned and to promote the sound management of the assets delivered.

Expanded public workers programme

Current-year receipts	5 722 000	5 722 000
Conditions met - transferred to revenue	(5 722 000)	(5 722 000)
	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:

- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods.

Municipal accreditation and capacity building grant

Balance unspent at beginning of the year	167 980	224 000
Conditions met - transferred to revenue	(167 980)	(56 020)
	-	167 980

To fund the establishment of a human settlement unit within the accreditation priority municipality as well as enhancing the existing human settlements unit.

To finance the municipal institutional capacity requirements.

National lottery

Balance unspent at beginning of the year	458 775	658 775
Conditions met - transferred to revenue	(151 414)	(200 000)
	307 361	458 775

Conditions still to be met - remain liabilities (see note 22).

Provide support to be able to bring growth and change within impoverished communities.

Multi-year project for which the unutilized funding will be utilized during the 2020/21 financial year. The COVID 19 lock down regulations adversely affected the implementation of projects.

Other sources

Balance unspent at beginning of the year	288 184	288 184
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Conditions still to be met - remain liabilities (see note 22).

Cape Winelands District grant

Current-year receipts	2 502 667	-
Conditions met - transferred to revenue	(472 126)	-

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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33. Government grants and subsidies (continued)

2 030 541 **-**

Conditions still to be met - remain liabilities (see note 22).

To implement the COVID 19 lockdown regulations.

To address safety in the Stellenbosch municipal area.

Aimed at augmenting and supporting the current humanitarian relief initiatives.

Human settlement grant - capital

Balance unspent at beginning of the year	45 859 611	15 788 558
Current-year receipts	11 049 077	73 585 032
Conditions met - transferred to revenue	(56 593 661)	(43 513 979)
	315 027	45 859 611

Conditions still to be met - remain liabilities (see note 22).

A service provider has been appointed as the implementing agent for the Longlands project. The land-use rights are in place for the services to be installed. The project is a multi-year project. The COVID 19 lock down regulatins adversely affected the implementation of projects.

The land acquired (R45 710 000) is in terms of an agreement entered into between the Department of Human Settlements (DoHS) for subsidised housing development. The land acquired is deemed to be Property, plant and equipment, until such time as the land is designated for housing and approval is obtained from the Municipal Planning Tribunal (MPT), in which case the portions of and so designated should be reclassified to inventory.

Development of sport and recreational facilities

Balance unspent at beginning of the year	67 669	67 669
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Conditions still to be met - remain liabilities (see note 22).

Housing settlement agreement

Balance unspent at beginning of year	220 103	220 103
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Conditions still to be met - remain liabilities (see note 22).

Local government graduate internship and capacity building

Balance unspent at beginning of the year	520 590	405 031
Current-year receipts	460 000	432 000
Conditions met - transferred to revenue	(446 248)	(151 410)
Other	(100 590)	(165 031)
	433 752	520 590

Conditions still to be met - remain liabilities (see note 22).

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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33. Government grants and subsidies (continued)

Financial Management Capacity Building Grant: Stellenbosch Municipality advertised the bursaries as part of their Annual Mayoral Bursary to save advertisement cost in the 2016/2017 financial year. Unfortunately, the response was very poor and we could not find any applications that met the requirements. Consequently, we contacted various Universities during the 2016/2017 and 2017/2018 financial years to obtain CV's of students studying in the designated areas as specified in the circular. After 3 attempts, we obtained 6 CV's of students, 5 of which reside outside the municipal area. The challenge however was that the applicants did not meet all of the required minimum criteria and deviating from the conditions of the grant is not permissible. Stellenbosch municipality could not obtain a list of students from the faculties at the tertiary institutions and placed reliance on the administration officers to indicate possible candidates for the bursaries. A total of R139 410.30 was paid during the 2018/19 financial year which relates to the roll over of 2017/18. R100 589.70 will be repaid as it relates to a roll over of 2017/18. The R360 000 will be spent during the 2019/20 financial year.

The student commenced employment on 1 May 2019 in terms of the Municipal Graduate Internship Programme Grant.

To provide financial assistance to municipalities in support of capacity building for the future by means of a graduate internship programme.

To develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

An intern has been appointed for the period 1 June 2020 – 31 May 2021.

Libraries support grant

Current-year receipts	12 454 000	12 210 000
Conditions met - transferred to revenue	(12 454 000)	(12 210 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

Khaya Lam free market foundation

Balance unspent at beginning of the year	-	59 500
Current-year receipts	102 000	163 000
Conditions met - transferred to revenue	-	(222 500)
	102 000	-

Conditions still to be met - remain liabilities (see note 22).

To assist municipalities to issue freehold title deeds to registered tenants and recognised resident of municipal properties.

All administration costs for the basic salaries and wages for the title deeds restoration programme have been funded by the Title Deeds Restoration grant. The unutilised funding will be used during the 2020/21 financial year.

Housing consumer education

Balance unspent at beginning of the year	68 010	68 010
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Conditions still to be met - remain liabilities (see note 22).

Community development support grant

Current-year receipts	56 000	56 000
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Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
33. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(18 704)	(56 000)
	37 296	-

Conditions still to be met - remain liabilities (see note 22).

To provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators.

Due to the Covid-19 lockdown regulations the activities as per the business plan could not be executed. Provisional concept approval for the activities listed above have been obtained from the transferring department.

Fire services capacity building grant

Balance unspent at beginning of the year	3 003 000	-
Current-year receipts	-	3 003 000
Conditions met - transferred to revenue	(3 003 000)	-
	-	3 003 000

Conditions still to be met - remain liabilities (see note 22). The grant has been fully committed by 30 June 2019. The specialized vehicle was handed over to the Municipality on 26 July 2019. Payment was done on 14 August 2019.

To provide financial assistance to municipalities to ensure functional emergency communication, mobilisation systems and fire services.

Local government financial management support grant

Current-year receipts	255 000	255 000
Conditions met - transferred to revenue	(255 000)	(255 000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

All funds could not be spent due to a lack of successful candidates being obtained. Stellenbosch municipality will continue liaising with the tertiary institutions to obtain possible candidates for the payment of bursaries. The municipality will also pursue the option of continuing the payment of bursary funding of the successful candidates which were availed bursaries during the 2019/20 financial year, as per the memorandum of agreement, once the new academic year of 2021 commences. A robust social media drive will be embarked upon to ensure that suitable candidates are identified in order to ensure spending of the grant.

LG SETA bursary fund

Current-year receipts	62 706	-
Conditions met - transferred to revenue	(62 706)	-
	-	-

To develop skilled and capable workforce supporting a responsive, accountable, efficient and effective local government system, through a range of learning programmes that focus on scarce and critical skills in the sector.

Maintenance and construction of transport infrastructure

Current-year receipts	384 000	371 000
Conditions met - transferred to revenue	(384 000)	(371 000)
	-	-

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
33. Government grants and subsidies (continued)		
To financially assist/subsidise municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).		
Shared economic infrastructure facility		
Current-year receipts	-	3 561 097
Conditions met - transferred to revenue	-	(3 561 097)
	-	-
Integrated transport planning		
Current-year receipts	600 000	600 000
Conditions met - transferred to revenue	(600 000)	(600 000)
	-	-
Conditions still to be met - remain liabilities (see note 22).		
To review and update municipal integrated transport plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).		
34. Fines, Penalties and Forfeits		
Municipal Traffic Fines	99 921 917	117 772 670
Other fines	70 893	273 462
	99 992 810	118 046 132
35. Employee related costs		
Acting allowances	674 466	1 019 414
Actuarial (Gain) /Loss	(32 830 683)	(35 413 176)
Bargaining council	291 210	(149 212)
Basic	322 142 811	301 079 036
Bonus	23 358 787	21 211 131
Car allowance	10 048 311	9 780 788
Cellphone allowance	1 630 691	1 341 747
Contribution to Long service awards	4 109 076	4 839 830
Contribution to Post-Retirement Benefits	5 448 228	7 945 828
Contribution to Leave gratuity	5 758 369	5 320 881
Entertainment	4 979	4 933
Group insurance	3 631 774	3 116 552
Housing benefits and allowances	2 916 315	2 853 349
Medical aid - company contributions	23 336 863	21 652 139
Overtime payments	37 414 315	31 607 382
Pension fund contribution	48 802 560	45 558 717
Performance bonus	429 862	590 923
Standby allowance	14 676 603	12 480 849
Sundry allowances	4 262 333	4 607 808
Travel, motor car, accommodation, subsistence and other allowances	256 942	719 369
UIF	2 449 723	2 175 228
Workmen compensation	2 769 522	2 367 571
	481 583 057	444 711 087

The comparative amounts were restated. Refer to Note 61.15

Stellenbosch Municipality

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Figures in Rand	2020	2019
35. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual Remuneration	1 394 549	1 393 726
Car Allowance	127 798	123 762
Performance Bonuses	257 839	244 629
Contributions to UIF, Medical and Pension Funds	341 082	334 363
Telephone allowance	22 800	22 800
	2 144 068	2 119 280
Remuneration of Chief Finance Officer		
Annual Remuneration	957 249	950 700
Car Allowance	248 612	117 860
Performance Bonuses	25 457	-
Contributions to UIF, Medical and Pension Funds	222 781	50 948
Leave	19 659	136 205
Telephone allowance	22 800	7 600
Other	18 000	3 000
	1 514 558	1 266 313
Acting allowance paid to acting Chief Financial Officer	-	19 424
Remuneration of the Director Planning and Development		
Annual Remuneration	825 323	1 029 334
Car Allowance	80 000	128 974
Performance Bonuses	69 429	118 569
Contributions to UIF, Medical and Pension Funds	189 838	246 716
Telephone allowance	17 100	22 800
Other	6 134	-
	1 187 824	1 546 393
Acting allowance paid to acting Director Planning and Development	10 225	-
Remuneration of the Director Community & Protection Services		
Annual Remuneration	1 352 200	868 611
Car Allowance	63 267	65 000
Performance Bonuses	23 143	-
Contributions to UIF, Medical and Pension Funds	25 830	97 563
Telephone allowance	22 800	13 300
	1 487 240	1 044 474
Acting allowance paid to acting Director(s) Community and Protection Services	-	13 227
Remuneration of the Director Infrastructure Services		
Annual Remuneration	1 293 925	1 254 593
Car Allowance	122 640	265 652
Performance Bonuses	152 744	144 918
Contributions to UIF, Medical and Pension Funds	24 105	24 066
Telephone allowance	22 800	22 800
	1 616 214	1 712 029

Stellenbosch Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
35. Employee related costs (continued)		
Remuneration of the Director Corporate Services		
Annual Remuneration	1 275 371	1 235 507
Car Allowance	139 200	139 200
Performance Bonuses	152 744	65 872
Contributions to UIF, Medical and Pension Funds	25 055	24 653
Telephone allowance	22 800	22 800
	1 615 170	1 488 032
36. Remuneration of councillors		
Councillors	19 121 037	18 272 420

Stellenbosch Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
37. Councillors Remuneration per class of councillor		
Executive Mayor		
Allowance and service related benefits		
Basic Salary	662 704	636 472
Travel Allowance	223 457	214 868
Cell Phone Allowance	40 800	40 800
Data Card Allowance	3 600	3 600
Skills Development Levy	7 667	8 131
	938 228	903 871
Deputy Executive Mayor		
Allowance and service related benefits		
Basic Salary	537 403	474 213
Travel Allowance	189 782	171 894
Cell Phone Allowance	42 743	40 800
Data Card Allowance	3 771	3 600
Pension Fund Contribution	15 461	35 631
Skills Development Levy	6 194	5 837
Medical Aid Benefits	10 080	-
	805 434	731 975
Speaker		
Allowance and service related benefits		
Basic Salary	464 648	484 403
Travel Allowance	166 214	171 844
Cell Phone Allowance	38 533	40 626
Data Card Allowance	3 400	3 600
Pension Fund Contribution	21 569	2 850
Skills Development Levy	5 538	6 663
Medical Aid Benefits	7 200	15 840
	707 102	725 826
Chief Whip		
Allowance and service related benefits		
Basic Salary	446 623	430 856
Travel Allowance	167 593	161 182
Cell Phone Allowance	40 800	40 722
Data Card Allowance	3 600	3 600
Pension Fund Contribution	33 497	29 615
Skills Development Levy	5 377	5 701
Medical Aid Benefits	17 280	17 280
	714 770	688 956
Executive Committee		
Allowances and service related benefits		
Basic salary	3 525 755	3 298 068
Cellphone allowance	311 990	301 281
Data card allowance	27 529	26 530
Travelling allowance	1 281 513	1 187 835
Medical aid benefits	86 400	64 800
Pension fund contributions	191 000	146 067

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
37. Councillors Remuneration per class of councillor (continued)		
Skills development levy	40 986	42 239
	5 465 173	5 066 820
All Other Councillors		
Allowances and service related benefits		
Basic salary	6 457 034	6 184 940
Cellphone allowance	1 279 533	1 276 246
Date card allowance	112 900	112 628
Travelling allowance	2 309 681	2 228 199
Medical aid benefits	110 880	123 840
Pension fund contributions	281 448	297 689
Skills development levy	79 940	81 503
	10 631 416	10 305 045
38. Contribution to/from provision		
Landfill site	8 828 974	6 025 885
39. Depreciation and amortisation		
Property, plant and equipment	189 536 622	189 050 753
Investment property	371 548	370 529
Intangible assets	2 425 462	1 848 159
	192 333 632	191 269 441
40. Finance costs		
Employee benefits	17 096 614	18 580 276
Current borrowings	31 049 766	17 033 200
Interest costs non-current provisions	7 757 711	6 174 066
Other interest paid	99 808	-
	56 003 899	41 787 542
The comparative amounts were restated. Refer to note 61.18		
41. Lease rentals on operating lease		
Operating leases		
Contractual amounts	9 225 916	1 824 382
Equipment		
Contractual amounts	2 035 900	410 164
Plant and equipment		
Contractual amounts	575 739	432 438
	11 837 555	2 666 984
The comparative amounts were restated. Refer to note 61.21		

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
42. Bad debt written off		
Electricity	4 927 682	2 266 216
Refuse	2 576 062	1 198 997
Sewerage	2 135 635	1 089 710
Water	19 414 877	11 219 869
Rates	-	894 282
Traffic fines	94 132 600	88 538 140
	123 186 856	105 207 214
43. Contribution to allowance for doubtful debt		
Receivable from exchange allowance contribution	7 657 579	20 261 578
Receivable from non-exchange allowance contribution	(14 171 401)	3 274 837
	(6 513 822)	23 536 415
44. Bulk purchases		
Electricity	414 765 005	350 008 266
Water	30 855 992	30 662 364
	445 620 997	380 670 630
45. Contracted services		
Outsourced Services		
Animal Care	4 250	7 031
Catering Services	2 113 721	261 490
Cleaning Services	1 265 831	992 892
Clearing and Grass Cutting Services	1 827 439	3 110 929
Litter Picking and Street Cleaning	4 200 546	3 200 529
Medical Services [Medical Health Services & Support	-	110 889
Personnel and Labour	595 337	501 328
Professional Staff	353 227	391 419
Refuse Removal	36 052 981	18 087 629
Security Services	26 740 306	16 065 250
Translators, Scribes and Editors	9 567	26 067
Traffic Fines Management	9 424 022	9 836 651
Transport Services	508 011	748 163
Drivers Licence Cards	734 542	770 882
Consultants and Professional Services		
Business and Advisory	20 153 500	13 212 149
Infrastructure and Planning	389 363	7 358 943
Laboratory Services	1 735 428	1 177 925
Legal Cost	6 578 813	9 777 392

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
45. Contracted services (continued)		
Contractors		
Artists and Performers	243 225	48 000
Bore Waterhole Drilling	53 648	61 641
Catering Services	399 899	1 221 984
Employee Wellness	112 349	219 645
Event Promoters	137 253	-
First Aid	-	80
Gardening Services	924 242	699 291
Graphic Designers	120 644	28 781
Interior Decorator	523 624	292 421
Maintenance of Buildings and Facilities	10 025 728	15 561 852
Maintenance of Equipment	1 906 557	1 797 796
Maintenance of Unspecified Assets	33 701 229	29 535 189
Management of Informal Settlements	1 050 699	513 343
Medical Services	8 846	83 453
Pest Control and Fumigation	29 696	14 696
Plants, Flowers and Other Decorations	365 042	292 560
Prepaid Electricity Vendors	7 801 057	8 229 782
Preservation/Restoration/Dismantling/Cleaning Serv	652 874	415 305
Tracing Agents and Debt Collectors	1 809 741	1 869 475
Transportation	5 167 403	4 524 212
Sewerage Services	5 311 095	467 377
Stage and Sound Crew	449 998	303 139
	183 481 733	151 817 580
46. Transfers and subsidies paid		
Other subsidies		
Grant-in-aid tourism	4 600 000	4 124 338
Grant-in-aid animal welfare	1 113 000	1 050 000
Grant-in-aid sundries	3 861 920	3 815 701
Bursary Scheme	379 903	139 410
Grants-in-aid COVID-19 Humanitarian Relief	900 000	-
	10 854 823	9 129 449

The comparative amounts were restated. Refer to note 61.20

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
47. General expenses		
Advertising, publicity and marketing	1 935 556	2 943 163
Assets less than capitalisation threshold	362 236	922 109
Auditors remuneration	6 703 882	6 295 797
Bank charges, facility and card fees	1 222 864	1 022 289
Bursaries (Employees)	401 598	407 918
Communication	5 624 569	5 649 956
Commission paid	2 944 923	2 685 445
Domestic subsistence and travel	1 084 614	892 224
Drivers licences and permits	20 565	20 924
Entertainment	48 463	126 275
External computer services	15 238 716	13 512 829
Foreign subsistence and travel	38 438	53 094
Full time union representative	103 917	133 508
Hire charges	11 331 736	12 214 934
Honoraria (voluntary workers)	4 500	12 600
Indigent relief	4 855 792	4 317 298
Insurance	5 357 969	4 327 956
Inventory - materials and supplies	13 749 289	12 442 636
Inventory - standard rated	2 953 561	5 153 285
Inventory - zero rated	13 120 184	13 700 724
Inventory consumed water	114 000	296 630
Licences: motor vehicle licence and registrations	1 212 251	1 225 229
Management fees	10 587 548	8 129 979
Municipal services	8 172 424	8 000 613
Office decorations	41 389	53 165
Other expenses	78 322	200 173
Printing, publications and books	441 250	458 536
Professional bodies, membership and subscription	7 869 951	3 879 060
Samples and specimens	180 745	378 953
Seminars, conferences, workshops and events	1 857 032	2 968 702
Skills development levy	3 669 220	3 998 884
Supplier development programme	577 200	942 126
Title deed search fees	20 100	7 860
Uniform and protective clothing	6 236 877	3 582 350
Vehicle tracking	620 214	732 365
	128 781 895	121 689 589

The comparative figures were restated. Refer to note 61.22

Pay@ (Agent) provides the Municipality with payment service solutions on behalf of the Municipality. Pay@ pays over the monies generated from the payment services to the Municipality. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the fee to be paid to Pay@ (as stipulated in the relevant service schedule or based on Pay@'s standard prevailing rates), is recognized as an expense.

EasyPay (Agent) is a payment platform used to collect municipal service payments from third parties. These payments are accepted by EasyPay on behalf of the Municipality (Principal), from third parties. A service charge is levied by EasyPay for collection of the payments. This fee is recognised as commissions paid.

SPS (Agent) collects parking tariffs from motorists on behalf of the Municipality. SPS pays over the tariffs collected to the Municipality, minus the service charge levied. The municipality recognises 100% of the tariff as revenue from exchange transactions and the service charges incurred to SPS is recognized as an expense.

Syntell (Agent) sells and collects money from the sale of prepaid electricity on behalf of the Municipality. SPS pays over the monies collected to the Municipality, minus the collection fee levied, determined at a rate specific in the Service Level Agreement. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the collection fee paid to Syntell (which includes costs incurred on debit or credit card electricity sales and cash handling fees incurred), is recognized as an expense.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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47. General expenses (continued)

TMT (Agent) manages the collection of traffic fines (both legacy fines issue before 1 July 2017 and fines issued after this date), on behalf of the Municipality. TMT pays over the monies collected to the Municipality. The municipality recognises 100% of the money's collected as revenue from non - exchange transactions and the fee incurred to TMT is recognized as an expense.

These arrangements are subject to standard terms and conditions upon termination.

None of the municipalities assets are under the custodianship of the agents.

48. Fair value adjustments

Other financial assets

• Discounting of long term receivables	(634 971)	(350 833)
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Movement in discounting of long term receivables

Opening balance	(2 264 321)	(1 913 488)
Discounting	(634 971)	(350 833)
	(2 899 292)	(2 264 321)

49. Cash generated from operations

Surplus	86 140 505	123 556 757
Adjustments for:		
Depreciation and amortisation	192 333 632	191 269 441
(Loss) gain on sale of assets and liabilities	(33 133)	5 060 315
Fair value adjustments	634 971	350 833
Other non-cash adjustments	(735 034)	-
Impairment deficit	-	1 705 912
Debt impairment	123 186 856	105 207 214
Contribution to debt impairment	(6 521 559)	23 536 415
Movements in operating lease liability	(816 671)	5 360 661
Movements in retirement benefit assets and liabilities	(12 697 154)	(9 644 159)
Movements in provisions	18 961 502	23 179 290
Changes in working capital:		
Inventories	415 064	(10 617 630)
Other receivables from exchange transactions	1 433 147	(9 700 929)
Receivables from exchange transactions	(275 008)	(26 939 431)
Receivables from non-exchange transactions	(85 470 841)	(102 518 755)
Payables from exchange transactions	(638 034)	27 721 923
VAT	17 882 801	6 103 839
Unspent conditional grants and receipts	(50 183 017)	33 402 936
Consumer deposits	706 605	1 403 987
Long term receivables	(2 340 920)	(1 248 126)
	281 983 712	387 190 493

50. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

		At amortised cost	Total
Cash and cash equivalents	3	111 201 845	111 201 845
Receivables from exchange transactions	5	111 067 546	111 067 546

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2020	2019
50. Financial instruments disclosure (continued)			
Other receivables from exchange transactions	7	10 825 566	10 825 566
Receivables from non-exchange transactions	6	14 152 777	14 152 777
Investments	4	306 637 342	306 637 342
Long term receivables	15	6 361 907	6 361 907
		560 246 983	560 246 983
Financial liabilities			
		At amortised cost	Total
Consumer deposits	16	17 784 517	17 784 517
Other financial liabilities	19	306 313 174	306 313 174
Payables from exchange transactions	21	248 727 150	248 727 150
		572 824 841	572 824 841

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

51. Risk management

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	17 784 517	-	-	-
Other financial liabilities	13 382 735	26 752 932	90 975 235	175 202 273
Payables from exchange transactions	248 727 150	-	-	-

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	17 077 912	-	-	-
Other financial liabilities	17 266 702	26 888 845	84 793 625	189 850 975
Payables from exchange transactions	250 152 894	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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51. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The impact of the Covid-19 pandemic was taken into account with the allowance for impairment calculation of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Cash and cash equivalents	111 201 845	169 490 533
Short term investments	306 637 342	398 163 664
Receivables from exchange transactions	111 067 546	161 402 873
Other receivables from exchange transactions	10 825 566	4 276 034
Receivables from non-exchange transactions	14 152 777	16 106 082
Long term receivable	6 361 907	4 655 958
	560 246 983	754 095 144

Foreign currency risk management

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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51. Risk management (continued)

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

52. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	229 901 158	229 338 793
• Intangible assets	108 965 151	71 146 289
	338 866 309	300 485 082

Total capital commitments

Already contracted for but not provided for	338 866 309	300 485 082
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This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

The amounts as disclosed are VAT inclusive.

53. Contingencies

2019/2020 Contingent liabilities

State / Matanise CAS NR 98/03/2015/ Stellenbosch Municipality

A traffic officer made a U-turn on the R44 pursuant to obtaining an instruction from his superintendent that he need to attend to a complaint in Klapmuts. The claimant, alleged that he had to turn into another lane to prevent an accident to occur, losing control over the vehicle and overturning the vehicle in the process.

Management estimate of the financial exposure is R100 000 in respect of costs and disbursements.

Labour court review - MATUSA on behalf of an employee / Stellenbosch Municipality

MATUSA on behalf of an former employee obtained an arbitration award against Stellenbosch Municipality in terms of which the former employee was reinstated and certified the arbitration award in terms of section 143(3) of the LRA. They instructed the sheriff to attached the movable properties of the Municipality to be sold in execution.

The Municipality instituted review proceedings against the arbitration award and stay the execution of the arbitration award.

Managements estimate of the financial exposure is approximately R380 000 in respect of costs and disbursements including compensation of 12 months of approximately R230 000.00 if reinstatement is not granted.

Ricmal Green (Pty) Ltd & another / The unlawful occupiers and others

Ricmal Green (Pty) Ltd applied for an interdict that the National Minister of Agriculture, Deputy Minister of Agriculture and the National Government be interdicted and restrained from placing any third parties in occupation of the Property or in any way encouraging, promoting, supporting and or allowing any persons to come onto the farm to occupy the Property.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

That the persons attempting to occupy the Property be interdicted and restrained from entering onto or remaining on the Property and erecting or attempting to erect any form of structure, be it temporary, permanent or semi-permanent of nature on the Property.

Ricmal Green (Pty) Ltd also applied for an urgent eviction application in terms of rule 6(12) against all unlawful occupiers of the Property listed in Annexure A to be ordered to vacate the Property and should they fail/refuse that the Sheriff be ordered to evict them from the Property.

Stellenbosch Municipality is sited as Seventh Respondent to the matter. No relief is sought against the Municipality unless the Municipality oppose the application. The Municipality was joined as the Property is situated within its jurisdiction and its statutory and/or constitutional obligations as regards the occupiers.

The Municipality is supporting the application of the Applicants and filed an explanatory affidavit.

Managements estimate of the financial exposure is approximately R200 000 in respect of costs and disbursements

Anonymous Employee / Stellenbosch Municipality

An employee applied for default judgment against Stellenbosch Municipality for alleged unfair labour practice in relation to failure to promote and/or demotion and alleged that he/she is being unfairly discriminated against.

Managements estimate of the financial exposure is approximately R100 000 in respect of costs and disbursements

SPS / Stellenbosch Municipality

MZ Loghdey t/a Street Parking Solutions submitted a tender, which was awarded to him. The tender was implemented on or about 1 April 2019. A dispute arose between the parties around various issues in terms of the tender. Clause 27.1 of the GCC provides that if any dispute or difference of any kind whatsoever arises between the purchaser and the supplier in connection with or arising out of the contract, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation. Clause 27.2 provides further if, after thirty (30) days, the parties have failed to resolve their dispute or difference by such mutual consultation, then either the purchaser or the supplier may give notice to the other party of his intention to commence with mediation. No mediation in respect of this matter may be commenced unless such notice is given to the other party. Clause 27.3 provides that should it not be possible to settle a dispute by means of mediation, it may be settled in a South African court of law. Notwithstanding the above clause 27.4 provides that notwithstanding any reference to mediation and/or court proceedings herein the parties shall continue to perform their respective obligations under the contract unless they otherwise agree and the purchaser shall pay the supplier any monies due for goods delivered and/or services rendered according to the prescripts of the contract.

Both SPS and the Municipality alleged that certain conditions of the tender/contract was breached and that mediation is required to solve the dispute. A mediator was appointed and a date for the mediation need to be set to argue the matter.

Managements estimate of the financial exposure is approximately R100 000 in respect of costs and disbursements

Anonymous Employee / Stellenbosch Municipality

Review application instituted by Stellenbosch Municipality setting aside the Arbitration Award made under WCP121702 under the South African Local Bargaining Council to pay the employee compensation for additional work done.

Managements estimate of the financial exposure is R300 000. This amount represents the legal costs and disbursements that the municipality may be liable for in order to finalise the matter and the amount claimed should the employee be successful.

Former Employee / South African Local Government Bargaining council and others

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

Review application instituted by an former employee to have the arbitration award dated 18 July 2019 under case numbers WCP 071722 and 01719 reviewed and set aside and in the alternative should the court elect not to correct the award that the dispute be remitted and referred back to the Bargaining Council for adjudication before an arbitrator.

Managements estimate of financial exposure is approximately R200 000. This amount represents the legal costs and disbursements that the Municipality may be liable in order to finalise the matter.

Stellenbosch Municipality / Urlan Groenewaldt & Jacques Francois Swart

Motor vehicle collision in which the municipal traffic lights were damaged.

Managements estimate for financial exposure is approximately R50 000.00 in respect of costs and disbursements.

Stellenbosch Municipality / Sliyzama CP Constructions (Pty) Ltd

Stellenbosch Municipality have to institute eviction proceedings against the illegal occupiers of the property, which the Municipality is leasing to Kindersorg to operate a crèche in Kayamandi. The eviction application is pending.

The founding affidavit of the Municipality needs to be finalised, whereafter the municipality can proceed with the institution of the eviction application. The municipality has received the founding affidavit and is in the process of proposing amendments thereto.

Managements estimate of financial exposure is approximately R200 000 in respect of costs and disbursements.

Stellenbosch Municipality / Klappmuts mediation

Stellenbosch Municipality is under obligation to provide emergency housing to evictees of various eviction orders in Klappmuts. The Klappmuts community has threatened violence against evictees and destruction of property should the municipality proceed to utilise Klappmuts housing facilities for evictees rather than for members of the Klappmuts community. Independent expert mediator appointed to facilitate mediation which is currently pending. The mediator had meetings with the community and a committee was elected to discuss the matter and proposals made. The chairperson of the Committee was not available for a period to attend meetings and new proposed dates were arranged by the mediator for such meetings. The community still refuse the Municipality to implement emergency housing.

The mediation needs to be finalised to obtain the buy-in of the community to relocate evictees to Klappmuts.

Managements estimate of the financial exposure is approximately R250 000 in respect of costs and disbursements.

Stellenbosch Municipality / NE Properties (Pty) Ltd

Application to declare the dissolution of NE Industries void in terms of section 83(4) of the Companies Act and to direct the Companies and Intellectual Property Commission of South Africa to restore NE Industries' name to the register of companies. NE Industries was deregistered and its name was removed from the register of companies on 16 July 2010 due to its failure to file its annual returns. NE Industries is the single largest debtor on the Municipality's debtor's book. The Municipality wants to collect the outstanding amount due to it but established that NE Industries was deregistered as a result of its failure to file its annual returns and its name was removed from the register of companies.

Managements estimate of the financial exposure is approximately R200 000. This amount represents the legal costs and disbursements that the Municipality may be liable for in order to obtain the Final Court Order.

Stellenbosch Municipality / IMATU on behalf of Employee

Review application instituted against the arbitrator's award by Commissioner Der Vlieger-Seynhaeve including application for condonation and to oppose the application for contempt of court proceedings instituted by IMATU obo employee.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

Managements estimate of financial exposure is approximately R200 000. This amount represents the legal costs and disbursements that the Municipality may be liable for in order to obtain the Final Court Order.

Stellenbosch Municipality / E Ross and Others

Stellenbosch Municipality have to institute eviction proceedings against Respondents of the property at 609 Lavanda Flats, Jan Cillier Street, Stellenbosch due to the Respondents actions. The eviction application is still pending.

Managements estimate of the financial exposure is approximately R200 000. This amount represents the legal costs and disbursements that the Municipality may be liable in order to finalise the matter.

Stellenbosch Municipality / L Bailey and Another

Stellenbosch Municipality is in the process instituting eviction proceedings against the Respondents of the property at 108 Aurora Flats, Jan Cilliers Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending.

Managements estimate of the financial exposure is approximately R200 000. This amount represents the legal costs and disbursements that the Municipality may be liable in order to finalise the matter.

Stellenbosch Municipality / J Morgan and Others

Stellenbosch Municipality is in the process of instituting eviction proceeding against the Respondents of the property at 12 Weber Street, Idas Valley, Stellenbosch, due to the Respondents actions. The eviction is still pending.

Managements estimate of the financial exposure is approximately R200 000. This amount represents the legal costs and disbursements that the Municipality may be liable in order to finalise the matter.

Stellenbosch Municipality / A De Ruiter and Others

Stellenbosch Municipality have to institute eviction proceedings against the Respondents of Erf 5281 Cloeteville, due to the Respondents actions.

Managements estimate of the financial exposure is approximately R200 000. This amount represents the legal costs and disbursements that the Municipality may be liable in order to finalise the matter.

Stellenbosch Municipality / Francois Jansen

Application for eviction of unlawful occupants from municipal property.

Managements estimate of the financial exposure is approximately R50 000. This amount represents the legal costs and disbursements that the Municipality may be liable in order to obtain the Final Court Order.

Stellenbosch Municipality / Tania Wasmuth and Others

Application for eviction of unlawful occupants from municipal property.

Managements estimate of the financial exposure is approximately R50 000. This amount represents the legal costs and disbursements that the Municipality may be liable in order to obtain the Final Court Order.

Stellenbosch Municipality / Cobus Visagie

Approximately R684 000.00 owed by Cobus Visagie for a tender to harvest wood.

Managements estimate of the financial exposure is approximately R50 000. This amount represents the legal costs and disbursements that the Municipality may be liable in order to obtain the Final Court Order.

Fusion Properties 233 CC / The Municipality of Stellenbosch

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality. The amount claimed is R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015. The Municipality is defending the action. Pleadings have now closed and the Plaintiff is in the process of applying for a court date.

The application that the Plaintiff has to provide security for costs was granted and the interlocutory application to strike out certain allegations was also successful. The Plaintiff made application for leave to appeal against the judgment, which application was refused with costs. The Plaintiff has delivered a petition to the Supreme Court of Appeal ("SCA") in terms of which it is now seeking leave to appeal either to the SCA or the full bench of the Western Cape Division of the High Court.

Should the litigation against the Municipality be successful, the estimate of financial exposure will be the R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015 including legal costs and disbursements of approximately R1 350 000.00.

Independent Schools Association of Southern Africa / Ethekwini Municipality / Stellenbosch Municipality & Others

This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.

The matter was set down and heard during the first week in June 2019. Judgment was granted against the Municipality with costs. The Municipality successfully sought leave to appeal the judgment and leave to appeal to the Supreme Court of Appeal ("SCA") was granted. The Municipality has lodged its notice of appeal and has also lodged the record of the proceedings, together with eThekweni Municipality as the first appellant. The appellants have also filed their heads of argument and now await the respondents' heads of argument. This matter does not involve any amounts claimed.

Managements estimate of the financial exposure is approximately R250 000. This amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

De Zalze Golf Club / Valuation Appeal Board for Stellenbosch Municipality

De Zalze Golf Club applied to have the Valuation Appeal Board for the Stellenbosch Municipality's decision dated 5 September 2018 to place a value of R26 500 000.00 on the leasehold rights in respect of remainder Erf 296 De Zalze reviewed and set aside and to replace the decision with an order valuing the property at R1 000.00 alternatively R4 900 000.00. In the alternative, and in the event that the Court is not prepared to grant the relief sought indicated above, remitting the matter to the Valuation Appeal Board and directing it, within a reasonable period and in accordance with the Court's directions, to make a fresh decision as to the value of the property. De Zalze Golf Club also applied that the Valuation Appeal Board and Stellenbosch Municipality pay De Zalze's costs jointly and severally, including the costs of two counsel (save that costs are only sought against Stellenbosch Municipality in the event of it opposing the application). The matter was heard on 13 August 2020 and judgment has been reserved. This matter does not involve any amounts claimed.

Managements estimate of the financial exposure is approximately R500 000. This amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is successful.

Stellenbosch Municipality / LJ Turnkey Investments (Pty) Ltd

The owner of Portion 9 of Farm 100 Stellenbosch ("the Property") applied for a declaratory order that the zoning of the Property is general residential and allows them to utilise the Property for student accommodation. The Municipality opposed the declaratory order and filed its answering affidavit.

Stellenbosch Municipality

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53. Contingencies (continued)

The Municipality is in the process of instituting a counter-application for, amongst others, a declaratory order regarding the zoning of the Property and interdictory relief regarding the utilisation of the Property for student and/or any other rental accommodation in contravention of the Municipality's Zoning Scheme By-law. This matter does not involve any amounts claimed.

Managements estimate of the financial exposure is approximately R250 000. This amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is successful.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

2018/2019 Contingent liabilities

Anonymous / Stellenbosch Municipality

A municipal employee intited legal proceedings against Stellenbosch Municipality and a municipal employee for alleged sexual harassment and unfair discrimination in the Labour Court. The Municipality has filed its Statement of Response to the Plaintiff's Statement of Claim and awaits a court date to have the matter argued. At reporting date this matter is pending

Management estimates financial exposure to approximately R200 000 in respect of costs and disbursements. The amount of the claim has not been included as the plaintiff's prospects of success are unlikely.

Stellenbosch Municipality / Herman Pheiffer

Monetary claim by the former Speaker, Herman Pheiffer against the Municipality. The Municipality defended the case successfully against Mr Pheiffer and obtained a cost order. At reporting date the matter is pending.

Management estimates financial exposure to amount to approximately R50 000 in respect of costs and disbursements. The amount of the claim has not been included as the plaintiff's prospects of success are unlikely.

Stellenbosch Municipality / Anonymous Employee

Review application instituted by Stellenbosch Municipality setting aside the Arbitration Award made under WCP121702 under the South African Local Government Bargaining Council to pay Thato compensation for additional work. At reporting date this matter is pending

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable in order to finalize this matter.

Stellenbosch Municipality / Siyazama CP Constructions (Pty) Ltd

Stellenbosch Municipality is in the process of instituting eviction proceedings against illegal occupiers of the property, which the Municipality is leasing to Kindersorg to operate a creche in Kayamandi. The eviction application is pending. The founding affidavit of the Municipality needs to be finalised, where after the Municipality can proceed with the institution of the eviction application. The Municipality has received the founding affidavit and is in the process of proposing amendments thereto. At the reporting date the matter is pending,

Management estimates financial exposure to amount to be approximately R50 000 in respect of costs and disbursements.

Stellenbosch Municipality / Klappmuts Mediation

The Municipality has an obligation to provide emergency housing to evictees of various eviction orders in Klappmuts. The Klappmuts community has threatened violent action against evictees and destruction of property should the Municipality proceed to use Klappmuts housing facilities for evictees rather than for members of the Klappmuts community.

An independent expert mediator has been appointed to facilitate mediation which is currently pending. The mediator had meetings with the community and a committee was elected to discuss the matter and proposals made. The chairperson of the committee was not available for a period to attend meetings and new proposed dates were arranged by the mediator for such meetings. At reporting date this matter is pending. Reference: KVDBERG/S613.

Mediation needs to be finalised to obtain buy-in of the community to Klappmuts. Management estimates financial exposure to amount to approximately R250 000 in respect of costs and disbursements.

Franklin Adams/ The Speaker/ Stellenbosch Municipality

Councillor Adams intited legal proceedings against the Speaker of the Municipality in the Equality Court. The Municipality served and filed its opposing affidavit in the matter. The matter was subsequently postponed to 9 July 2019 for the inter alia Councillor Franklin Adams to apply for legal assistance from Stellenbosch Municipality. The matter was postponed until 5 September 2019 to allow councillor Adams' attorney to come on record to attend to the directive hearing. Thus, at reporting date this matter is pending

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

Management estimates financial exposure to amount to approximately R50 000 in respect of costs and disbursements.

Stellenbosch Municipality/ E Ross & Others

Stellenbosch Municipality is in the process of instituting eviction proceedings against the Respondents of the property at 609 Lavanda Flats, Jan Cilliers Street, Stellenbosch, due to the Respondents actions. The respondents did not oppose the application within the required time, as a result the Municipality submitted a Chamberbook application to oblige the respondents to submit their opposing affidavit, which they neglected to do. The matter will be enrolled on the unopposed roll.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the municipality may be liable to finalise this matter.

Stellenbosch Municipality / L Baily & Another

Stellenbosch Municipality is in the process instituting eviction proceedings against the Respondents of the property at 108 Aurora Flats, Jan Cilliers Street, Stellenbosch, due to the Respondents actions. The eviction application is still pending. Thus, at reporting date this matter is pending and the Municipality awaits for the Writ from the Registrar of the High Court

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to finalize this matter.

Stellenbosch Municipality / J Morgan & Others

Stellenbosch Municipality is in the process of instituting eviction proceeding against the Respondents of the property at 12 Weber Street, Idas Valley, Stellenbosch, due to the Respondents actions. The attorneys are currently in the process to finalise affidavit. At reporting date, the eviction application is still pending and the Municipality is in the process of finalising the affidavit.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to finalize this matter.

Stellenbosch Municipality / A De Ruiter & Others

An eviction application was instituted by Stellenbosch Municipality to have the Respondents evicted from the property, Erf 5281 Cloetesville, due to the Respondents actions. At reporting date, the eviction application is still pending, and the Affidavit still needs to be signed by the Municipal Manager.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to finalize this matter.

Stellenbosch Municipality / Franscois Jansen

An application has been instituted by the Stellenbosch Municipality for the eviction of unlawful occupants from municipal property. This matter is still pending at the reporting date.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to obtain for the Final Court Order.

Stellenbosch Municipality / Tania Wasmuth & Others

An application for eviction of unlawful occupants from municipal property has been instituted by Stellenbosch Municipality. This matter is still pending at the reporting date.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to obtain the Final Court Order.

Stellenbosch Municipality / Cobus Visagie

Approximately R684 000 was owed by Cobus Visagie for a tender to harvest wood. Summary judgement was obtained but the money still needs to be collected.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to obtain to Final Court Order.

Metro City Protection Services / Stellenbosch Municipality

Metro City Protection Services instituted legal proceedings against Stellenbosch Municipality, pursuant to them not being awarded the tender for the rendering of security services. They applied for the Municipality to be interdicted to implement the tender with Securitem (Pty) Ltd and applied to have the tender award reviewed and set aside.

The matter was argued and the interdict was denied. The Review application is currently pending and a timetable was agreed upon in terms of which the matter will be argued on 12 September 2019. The Municipality had to file its Rule 53 record on 27 May 2019. The Applicant must file its supplementary affidavit by 13 June 2019 and the Municipality must file its answering affidavit by 4 July 2019. The parties are in the process of settling the matter. At reporting date this matter is pending.

Management estimates financial exposure to amount to approximately R250 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for to obtain the final court order.

La Concorde South Africa (Pty) Ltd / The Stellenbosch Municipality & Others

La Concorde raised an objection to the constitutional validity of Section 24(1)(e) of the Stellenbosch Municipal Planning By-law, 2015 read with Section 61(2)(c) of the Western Cape Land Use Planning Act, 3 of 2014. La Concorde alleged that the Section 24 exempts an owner from applying for a subdivision in the circumstances listed therein, any reference in both the By-law and LUPA to "application" or "approval" cannot apply to a request to a municipality to issue an exemption certificate and the issuing of the exemption certificate is not an "approval" or a "decision" for the purposes of the By-law and LUPA. Pursuant to providing the information/documents requested in terms of La Concorde's Rule 30(1)(A) notice, La Concorde served another Rule 30(1)(A) notice requesting further additional information/documents. The Municipality provided the information, (except for the Planning Department) requested to our attorneys of record who is attending compiling the additional Rule 53 record. At year end this matter was still pending.

Management estimates financial exposure to amount to approximately R250 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for in order to obtain the final court order.

Stellenbosch Municipality / Stellenbosch Golf Club

Stellenbosch Municipality entered into a long term notarial lease agreement with Stellenbosch Golfklub ("the Golfklub") on or about 20 December 1994, which lease agreement was notarial registered under reference number K199/95L on 14 March 1995. In terms of clause 4.6 of the notarial lease agreement the Golfklub is responsible for payment of the rates and taxes levied by the Municipality. The Municipality is involved in a dispute with the Stellenbosch Golfklub regarding outstanding rates the municipality claims from the Golfklub. The Golfklub leases the property on which the golf course is situated from the Municipality and for that reason is alleging that they do not have to pay rates and taxes to the Municipality.

The Municipality has finalised amendments to the draft Arbitration agreement as well as its Heads of Arguments and have forwarded the same to Stellenbosch Golf Club's attorneys. Stellenbosch Golfklub indicated that they want to make amendments to the Arbitration Agreement and Statement of Case and as a result the scheduled arbitration could not proceed on 31 May 2019. We are still awaiting the proposed amendments from Stellenbosch Golfklub and new dates on which the arbitration can proceed. At year end this matter was still pending.

Management estimates financial exposure to amount to approximately R300 000 - this amount represents the legal costs and disbursements that the Municipality may be liable to finalize this matter.

Gerhard Schalk van Niekerk N.O and Others / Stellenbosch Municipality

Gerhard Schalk van Niekerk N.O & Others ("the Applicants") instituted review proceedings against Stellenbosch Municipality's resolution of 31 October 2018, which resolved the owners to be instructed to demolish all structures/boundary fences impeding public access to the Millstream, and to move all boundary fencing to their own ERF boundaries, within a period of 3 (three) months of receipt of the notice ("the Council resolution"), be reviewed and set aside.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

Furthermore, that the decision of the Municipality on or about 22 November 2018, alternatively on or about 14 May 2019, to issue notices pursuant to the Council's resolution to the First to Fourth Applicants and the Fifth to Seventh Applicants, respectively ("the decision to issue the notices"), be reviewed and set aside. One of the Applicants prayers is that the Municipality pay the Applicants costs of the application, including costs of two counsel.

The Applicants even, i.e. the Alabama Trust as registered owner of ERF 1629, Stellenbosch and the Gillomee Trust as registered owner of ERF 1726 Stellenbosch about ERF 1771 Stellenbosch of which Stellenbosch Municipality is the owner. ERF 1771 Stellenbosch is zoned as Public Open Space. The Applicants erected structures, which structures encroached on ERF 1771 Stellenbosch, without any prior approval of Stellenbosch Municipality. The Stellenbosch Municipal Council inter alia resolved on 31 October 2018 that the owners be given notices that any and all agreements that may exist with them in writing, or allowances made over the years, in regard to the use of land across the Millstream, is cancelled/revoked and that the owners be informed to demolish all structures/boundary fences not allowing public access to the Millstream and move any and all boundary fencing to their own erf boundaries within a period of 3 months of receipt of the notice.

Fusion Properties 233 CC / The Municipality Of Stellenbosch

This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality. The Municipality is defending the action. The application that the Plaintiff has to provide security for costs was granted and the interlocutory application to strike out certain allegations was also successful. The Plaintiff made application for leave to appeal against the judgment, for which the application was refused with costs. At reporting date this matter is pending. : Reference RB Africa / S Kgomo / 3006430.

Should the litigation against the Municipality be successful, management estimates financial exposure will be the R32 115 000 together with interest calculated at the rate of 9% per annum from 28 July 2015 including legal costs and disbursements of approximately R1 350 000.00.

Independant Schools Association of Southern Africa / EThekweni Municipality / Stellenbosch Municipality & Others

This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.

The matter was argued in June 2019 and judgment was subsequently granted against the Municipality with a costs order. The Municipality submitted its leave to appeal against the judgment on 24 July 2019. The appeal was subsequently argued and leave to appeal was granted. This matter does not involve any amounts claimed. Reference: RB Africa / AE Esterhuizen / 2083835.

Management estimates financial exposure to amount to approximately R250 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

De Zalze Golf Club / Valuation Appeal Board Fof Stellenbosch Municipality

De Zalze Golf Club applied to have the Valuation Appeal Board for the Stellenbosch Municipality's decision dated 5 September 2018 to place a value of R26 500 000 on the leasehold rights in respect of remainder ERF 296 De Zalze reviewed and set aside. To replace the decision with an order valuing the property at R1000 alternatively R4 900 000. In the alternative, and in the event that the Court is not prepared to grant the relief sought indicated above, remitting the matter to the Valuation Appeal Board and directing it, within a reasonable period and in accordance with this Court's directions, to make a fresh decision as to the value of the property. De Zalze Golf Club also applied that the Valuation Appeal Board and Stellenbosch Municipality pay De Zalze's costs jointly and severally, including the costs of two counsel. Reference: AE Esterhuizen / SK Jacobs / 3032533.

The Municipality filed its Rule 53 record, where after De Zalze Golf Club served and filed its supplementary affidavit. The Municipality is in the process of finalising its answering affidavit and have arrange consultations for 15 July 2019 and 19 August 2019 respectively. At reporting date this matter is pending.

Management estimates financial exposure to amount to approximately R500 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Stellenbosch Municipality/ Mandisi Parscal Jejane

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

53. Contingencies (continued)

The matter concerns the removal of an illegal structure which was erected without building plans, for which the occupants need to be evicted.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Stellenbosch/ Urlan Groenewald & Jacques Francois Swart

The matter concerns a claim regarding a motor vehicle collision where the municipal traffic lights were damaged.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Stellenbosch Municipality/ The Municipal Manager/ Franklin Adams

The matter concerns a claim by Councillor Adams against the Speaker and Municipal Manager in the Equality Court.

The matter was withdrawn by Franklin Adams on 15 October 2019. Court judgement stated that each party is responsible for their own costs. The municipality is currently deciding whether an appeal will be launched.

Management estimates financial exposure to amount to approximately R50 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

Stellenbosch Municipality/ April & Another

The matter concerns the institution of eviction proceedings by the municipality against the respondents of the property.

Management estimates financial exposure to amount to approximately R200 000 - this amount represents the legal costs and disbursements that the Municipality may be liable for if the review application is unsuccessful.

54. Related parties

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004. Loans, together with conditions thereof granted prior to this date are disclosed in note 15 in the annual financial statements.

Remuneration of management

Compensation of key management and personnel is set out in notes 34, 35 and 36 respectively in the annual financial statements.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

55. Awards to close family members in the service of the state

The detail listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulations 2005 that determines that the municipality must disclose particulars of any awards of more than R2 000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

Supplier	Name	State Department	Spouse, Child or Parent	2020	2019
Aurecon South africa (Pty) Ltd	Refer to detail below	Refer to detail below	Spouse, Child and Parent	7 864 895	8 767 802
ARB Electrical Wholesalers (Pty) Ltd	J Modise	Eskom Holdings: Non Executive Director and Road Accident Fund (RAF) CEO	Spouse	26 203	1 388
Bergstan South Africa	C Beukes	Department of Social Development	Spouse	-	73 600
Kemanzi (Pty) Ltd	J N Du Toit	City of Cape Town	Spouse	480 920	115 438
CSM Consulting Services	A Vancoillie	Department of Environmental affairs and Development Planning	Child	84 051	27 600
Exeo Khokela Civil	T Meyer	Department of Education	Child	-	5 999 461
Red Hills Electronics	L Hartley	Department of Education	Spouse	1 823 316	3 793 770
Milhon HVAC	J Sampson	Stellenbosch Municipality	Spouse	10 941	-
NCC Environmental Servicess (Pty) Ltd	C Rhode	City of Cape Town	Spouse	3 600	9 775
Helderberg Business	N Hitchert	Department of Agriculture	Spouse	-	1 750
Rhode Bros Steel Pro	D Rhode	South African Police Service	Child	16 100	62 315
Flowers in the Foyer	E Gunter	Other Government department	Spouse	-	2 700
Silver Solutions 1765	D Simpson	Department of Education	Spouse	14 000	-
Element Consulting	S Pienaar	Department of Local Government	Spouse	-	275 476
Idas Valley Cleaning Solutions	G Jonkers	Stellenbosch Municipality	Child	12 000	-
	C Jonkers	Department of Local Government			
IKapa Reticulation and flow	S Davids	Department of Education	Spouse	3 202 534	1 232 505
Isuzu Truck Centre (Pty) Ltd	E Jacobs	Department of Local Government	Spouse	-	1 603 199
Smec South Africa (Pty) Ltd	Y Phosa	Department of the Premier	Spouse	1 804 142	234 255
AECOM SA (Pty) Ltd	Refer to detail below	Refer to detail below	Spouse, Child and Parent	9 900 413	2 549 515
Conlog (Pty) Ltd	N Moodley	Department of Health	Spouse	1 465 045	1 861 204
Rhotec	P Rhode	Department of Education	Spouse	-	44 789
Steven Happie	F Happie	City of Cape town		28 779	142 210
G and G Maintenance	GB Gabriels	Department of Local Government	Parent	42 780	103 987
Novus3 (Pty) Ltd	M De Vries	Department of Education		1 615 267	1 723 120
	J Scheepers	Council for Medical Services			

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

55. Awards to close family members in the service of the state (continued)

Landfill Consult (Pty) Ltd	MM Dube	DICRO	Spouse	2 985 554	1 248 792
Man 4 Trading (Pty) Ltd	MS Samuels	Department of Education	Spouse	7 530	-
ARCUS GIBB	B September	City of Cape Town	Spouse	6 619 848	374 448
Stellenbosch Hospice	L Esau	Department of Local Government	Spouse	-	40 000
Mpumamanzi Group CC	E Bouwers	Department of Health	Parent	793 792	705 434
EAM 73 Enterprises	Ms Meyer	Department of Education	Spouse	-	30 910
Sowerby Engineering	J Scheepers	Department of Education	Spouse	-	77 780
SMS ICT CHOCE (Pty) Ltd	Mrs Maqula	Department of Health	Spouse	500 279	352 674
Mindspring Computing	R Loghdey	Other Government Departments	Spouse	-	5 336
HJ Productions	Director	Department of Agriculture	Spouse	-	56 550
Mubesko Africa (Pty) Ltd	J Niehaus	Department of Health	Spouse	478 092	677 219
Vuyani Electrical Supplies	M Agulhas	City of Cape Town	Child	-	39 460
Du Toit Environmental	F Shariff	Department of Local Government	Spouse	105 225	307 686
Helderberg Maintenance cc	L Laurens	Environment Education and Superintendent Nature Conservation	Spouse	-	61 325
				39 885 306	32 603 473

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

55. Awards to close family members in the service of the state (continued)

The following are the close family names of Aurecon South Africa (Pty) Ltd.

Name	State Department	Spouse, Child or Parent
HC Ahlschlager	Special investigation unit; Legal representative	Spouse
B Alheit	Denel Dynamics; Executive Manager	Parent
CMM Barnard	Gauteng Department of Education, Deputy Principle	Spouse
CJ Barry	City of Cape Town; Head Finance	Spouse
Prof CJG Bender	University of Johannesburg, Professor	Spouse
J Blackmore	Department of Public Works; Project Manager	Parent
T Botha	Oudtshoorn Municipality; Technical Manager	Parent
Councillor JJJ Daniels	West Coast District Municipality; Deputy Mayor	Parent
MC Dunga	South African Navy; Engineer in Training	Spouse
WZ Erasmus	Cape Nature; Programme Manager	Spouse
HG Esterhuysen	West Coast District Municipality; Senior Manager Roads	Spouse
N Geldenhuys	Transnet Port Terminals; Mechatronic Engineer	Child
T Govender	Umgeni Water: Fleet Management Administrator - Asset Management	Child
N Grobbelaar	Central University of Technology; Programme Manager	Spouse
SM Grobbelaar	Northern Cape Education Department of Cooperative Governance: Human Settlements and Traditional Affairs; Town Regional Planner	Parent
Cr B Groenewald	Twaing Municipality; Councillor	Parent
Cr CP Herbst	Dr S Mompoti District Municipality; Councillor	Parent
E Herlode	Manager Investigation Services; Limpopo Department of Economic Development and Tourism	
A Heyns	Stellenbosch Municipality; Assistant Superintendent	Parent
JH Higgs	SARS; Regional Manager	Spouse
A Hougaard	Department of Correctional Services; Principle Network Controller	Spouse
J Jacobs	Eastern Cape Department of Education; Personal assistant to Chief Director	Spouse
T Kholoanyane	Naledi Local Municipality; Tourism Manager	Spouse
B Kleynhans	Hessequa Municipality; Accountant	Parent
Cr BJ Kriegler	Cape Winelands District Municipality and Breede Valley Municipality; Councillor	Parent
M Marques	Department of Home Affairs; Deputy Director	Spouse
RT Mehlala	Eastern Cape Arts and Culture Council; Chief Executive Officer	Parent
R Meyer	Telkom SA; Project Manager	Parent
AJ Moore	Department of Water affairs; Chief Engineer	Spouse
K Nadasen	National Department of Public Works; Director Key Account Management	Spouse
R Nair	eThekweni Municipality; Building Inspector	Parent
D Ntsebeza	Buffalo City Metropolitan Municipality	Spouse
NH Ntsebeza	Eastern Cape Department of Health	Parent
SM O'Connell	Sol Plaatjie Municipality; Librarian	Spouse

Stellenbosch Municipality

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Notes to the Unaudited Annual Financial Statements

55. Awards to close family members in the service of the state (continued)

JF Phillips	Northern Cape Department of Economic Development and Tourism; Manager - Township Revitalisation	Spouse
PS Pretorius	Sol Plaaityje Municipality; Chief Officer	Parent
JH Rieker	SA Reserve Bank; Engineering	Spouse
JM Robertson	Ekurhuleni Metropolitan Municipality; Roads Engineer	Parent
G Saaiman	Auditor General Kimberley; Manager	Child
JJ Saaiman	Armscor; Quality Manager	Parent
J Scheepers	Council for Medical Schemes; Chief Financial Analysts	Spouse
EM Schon	Northern Cape Department of Co-operative Governance; Human Settlements and Traditional affairs; Assistant Manager	Spouse
Dr M Skead	Nelson Mandela Bay Metropolitan University; Senior Manager- Staff Development	Spouse
R Tebane	Ekurhuleni Metropolitan Municipality; Executive Manager	Parent
J Theron	Nelson Mandela Bay Metropolitan University; Head: Graduate School Relations	Spouse
GJ Tong	North West Department of Finance; Deputy Director	Parent
N Towers	Department of Mineral Resources; Inspectorate of Mines	Parent
J Tredoux	Department of Water Affairs; Deputy Director Accounts Payable	Spouse
A Treurnich	Umgindi Municipality; Community Services Assistant Director	Parent
AN van Taak	Stellenbosch Municipality; Director Water and Sewerage	Parent
ZC Venter	Eastern Cape Department of Health; Deputy Director Employment Relations	Spouse
PC Vermeulen	City of Cape Town; Superintendent - Building Maintenance	Parent
J Wilkins	Correctional Services; Vice Director- Provincial	Parent
NS Wolmarans	IDC; Senior Accounts Manager	Spouse
NS Wolmarans	University of Johannesburg; Professor	Spouse
SW Zulu	Kwazulu Natal Department of Health; Human Resources Manager	Parent

The following are the close family names of AECOM South Africa (Pty) Ltd.

Name	State Department	Spouse, Child or Parent
Sandra	Bloem water	Parent
A Powell	Department of Education	Spouse
L Wolff	Department of Education	Spouse
M Breytenmbach	Eendracht Primary School	Spouse
A Rossouw	Eskom	Child
A Mahomed	eThekweni Municipality	Spouse
R Meyer	Grey College	Parent
E Venter	Gauteng Education Department	Spouse
C van der Merwe	Protea Park Primary School	Spouse
JHS Viljoen	SA Air Force- Waterkloof	Spouse
JC van der Walt	SANRAL	Parent
T Liversage	Transnet	Spouse
P de Waal	University of Pertoria	Spouse
A De Wet	UNISA	Spouse

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

56. Unauthorised expenditure

No unauthorised expenditure for the year under review.

57. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure for the year under review.

58. Irregular expenditure

Opening balance as previously reported	44 302 774	34 736 802
Add: Irregular Expenditure - current year	-	48 732 864
Add: Irregular Expenditure identified in respect of prior year	-	4 223 363
Opening balance as restated	44 302 774	87 693 029
Add: Irregular Expenditure - current	20 257 060	(43 390 255)
Less: Amount written off - current	(6 593 146)	-
Closing balance	57 966 688	44 302 774

59. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	220 945	547 648
Council subscriptions	6 293 349	6 093 195
Amount paid - current year	(5 484 586)	(6 427 581)
Early settlement discount	(314 282)	(213 262)
Additional invoice	-	220 945
Credit note	(520 506)	-
Balance Unpaid (included in Creditors)	194 920	220 945

Material losses through criminal conduct

Audit fees

Opening balance	24 612	6 755
Current year audit fee	7 545 695	6 398 348
Amount paid - current year	(7 517 859)	(6 380 491)
Balance Unpaid (included in Creditors)	52 448	24 612

Audit fee pertaining to 2018/19 has been adjusted to reflect the correct amount.

PAYE and UIF

Current year payroll deductions	79 360 357	72 034 057
Amount paid - current year	(79 360 357)	(72 034 057)
Balance Unpaid (included in Creditors)	-	-

Pension and Medical Aid Deductions

Current year payroll deductions and Council contributions	115 603 507	107 199 175
Amount paid - current year	(115 603 507)	(107 199 175)
Balance Unpaid (included in Creditors)	-	-

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

59. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	47 119 788	48 196 249
VAT payable	(16 834 099)	(27 759)
	30 285 689	48 168 490

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Distribution losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review.

Electricity (KWH)

System input	381 810 592	379 353 123
Sales	(346 076 786)	(350 725 915)
Distribution loss	35 733 806	28 627 208

Electricity losses are calculated as 9.68% (2019: 7.55%). Electricity losses are within the industry norm.

Water (KL)

System input	8 015 027	9 050 653
Sales	(6 374 474)	(6 515 365)
	1 640 553	2 535 288

Water losses are calculated as 20.5% (2019: 28%). Water losses are within the industry norm.

60. Multi-employer retirement benefit information

The Municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of **R48 802 560** (2019: **R 45 558 717**) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

DEFINED BENEFIT SCHEMES

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2016 revealed that the assets of the fund amounted to R13,700,300.00 (30 June 2015 : R13,231,200.00), with funding levels of 100% (30 June 2015: 100%). The highest contribution rate paid by the members was 7.92% and by Council 20.78%.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

It is the actuary's opinion that:

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

LA retirement Fund (Previously Cape Joint Pension Fund)

The LA RETIREMENT FUND operates both as a defined benefit and defined contribution scheme.

Notes to the Unaudited Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

DEFINED CONTRIBUTION SCHEMES

LA Retirement Fund (Previously Cape Joint Pension Fund)

Defined benefit scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2019 disclosed an actuarial valuation amounting to R1,655,893,000 (30 June 2018 : R1,776,181,000), with a nett accumulated surplus of R63,423,000 (2017 : R46,989,000), with a funding level of 103.7% (30 June 2017 : 102.6%).

Defined contribution scheme

The actuarial valuation report at 30 June 2019 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,960,090,000 (30 June 2018 : R2,018,237,000), net investment reserve of R0 (30 June 2018 : R0) and with a funding level of 100% (2018 : 100%).

The actuary concluded that:

- The Pensioner account has a funding level of 103.7% with n surplus of R63.4 million and is in a sound financial condition as at the valuation date.
- There is a surplus of R63.4 million in The DB Section excluding The surplus in The Pensioner Account. The surplus has been allocated to The Pensioner Account.
- The overall funding level in respect of the DB Section including the Pensioner Account is 101.7% with a surplus of R63.0 million.
- The Defined Contribution Section has a funding level of 100% and is in sound Financial condition.
- Overall the fund is in a sound financial condition with a surplus of R63.0 million and the overall funding level of 101.7%.
- The Trustees awarded a 3.22% pension increase effective 1 January 2019.

It is to be noted that:

- All the active members have now all been converted to the Defined Contribution Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual Defined Benefit Section active members, that have now also converted to the Defined Contribution Section and
- Both the Defined Contribution Section and the Defined Benefit Section were fully funded as at the valuation date.

The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The last statutory valuation performed as at 30 June 2019 revealed that the assets of the fund amounted to R26,128,000,000 (30 June 2018: R23,318,184,000), with funding levels of 100.4% and 100% (30 June 2017 127.3% and 100%) for the Pensions Account and the Share Account respectively. The Presevation Pension Account showed a suplus of R0 and was 100% funded for both 2019 & 2018. The contribution rate paid by the members (7,50%) and the municipalities (7.50%/19.50%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

SALA pension fund

Notes to the Unaudited Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14,298,600.00 (30 June 2015 : R13,231,200.00), with funding levels of 96.0% (30 June 2015: 100%). Recommended that employers continue to contribute at the current rate of 19.18% of pensioners salaries.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short moratorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2014 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

60. Multi-employer retirement benefit information (continued)

The last statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R15,393,671,000 (30 June 2015 : R10,050,029,000), with funding levels of 100.46% (30 June 2015: 100.42%). The actuary certified that the assets of the fund are sufficient to cover 100.46% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications

Below is a summary of the total effect that the prior period errors and reclassifications had on the amount previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amount involved.

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	169 490 533	-	-	169 490 533
Short term investments	398 163 664	-	-	398 163 664
Receivables from exchange transactions	161 402 873	(13 898 500)	-	147 504 373
Receivables from non-exchange transactions	65 966 659	-	-	65 966 659
Other receivables from exchange transactions	10 155 967	5 754 000	-	15 909 967
Inventories	52 307 942	12 250 000	-	64 557 942
VAT receivable	47 420 470	748 020	-	48 168 490
Long term receivables	1 630 959	-	-	1 630 959
	906 539 067	4 853 520	-	911 392 587
Non-Current Assets				
Property, plant and equipment	5 057 061 066	(16 310 626)	-	5 040 750 440
Investment property	420 777 174	2 060 279	-	422 837 453
Intangible assets	6 534 960	5 421 490	-	11 956 450
Biological assets that form part of an agricultural activity	6 321 448	-	-	6 321 448
Heritage assets	774 002	-	-	774 002
Long term receivables	3 024 999	-	-	3 024 999
	5 494 493 649	(8 828 857)	-	5 485 664 792
Total Assets	6 401 032 716	(3 975 337)	-	6 397 057 379
Liabilities				
Current Liabilities				
Payables from exchange transactions	269 021 012	2 553 589	(112 334)	271 462 267
Unspent conditional grants and receipts	148 233 956	(89 300 651)	112 334	59 045 639
Employee benefit obligation	55 599 752	-	-	55 599 752
Other financial liabilities	25 869 707	-	-	25 869 707
Consumer deposits	17 077 912	-	-	17 077 912
Operating lease liability	971 080	4 803 935	-	5 775 015
Provisions	642 909	-	-	642 909
	517 416 328	(81 943 127)	-	435 473 201
Non-Current Liabilities				
Employee benefit obligation	201 830 792	-	-	201 830 792
Other financial liabilities	292 930 440	-	-	292 930 440
Provisions	101 701 567	-	-	101 701 567
	596 462 799	-	-	596 462 799
Total Liabilities	1 113 879 127	(81 943 127)	-	1 031 936 000
Net Assets	5 287 153 589	77 967 790	-	5 365 121 379
Net Assets				
Accumulated surplus	5 287 153 581	77 967 798	-	5 365 121 379

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.1 Receivables from exchange transactions

Balance previously reported	161 402 873
Accumulated surplus	(15 680 831)
Contribution to allowance for doubtful debt	(1 584 254)
Rental of facilities and equipment	3 366 585
	147 504 373

Accounting for the assets and liabilities transpiring from the agreement entered into between TCTA and Stellenbosch municipality, whereby 80 houses were donated to the municipality for the benefit of housing development within the specified area.

61.2 Other receivables from exchange transactions

Balance previously reported	10 155 967
Operating lease liability	5 754 000
	15 909 967

The receivable was recognised for the advance payment relating to the use of a municipal parking area, for a period of five years in terms of the signed agreement.

61.3 Inventories

Balance previously reported	52 307 942
Accumulated surplus (Housing inventory)	12 250 000
	64 557 942

The municipality incorrectly accounted for capital spares that must be classified as property plant and equipment.

The VAT relating to store purchases were not accounted for correctly.

Additional text

61.4 VAT receivable

Balance previously reported	47 420 470
Operating lease liability	748 020
	-
	48 168 490

The municipality had to account for deferred VAT in terms of the parking agreement with the client.

61.5 Property, plant and equipment

Balance previously reported	5 057 061 065
Depreciation	(16 310 625)
	-
	5 040 750 440

The work in progress previously reported was incorrect and included infrastructure that should have been commissioned and depreciation calculated accordingly.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.6 Intangible assets

Balance previously reported	6 534 960
Accumulated surplus	5 421 490
	11 956 450

The accumulated depreciation per asset class was not accounted for correctly.

61.7 Investment property

Balance previously reported	420 777 174
Accumulated surplus	2 060 279
	422 837 453

The accumulated depreciation per asset class was not accounted for correctly.

61.8 Payables from exchange transactions

Balance previously reported	269 021 019
Unspent conditional grants (Charitable fund)	(112 334)
Employee related cost (Workmen compensation)	903 595
Unspent conditional grants (Khaya Lam free market foundation)	(255 280)
Unspent conditional grants (Khaya Lam free market foundation)	32 780
Unspent conditional grants (Construction advances)	1 425 745
Accumulated surplus	446 742
	271 462 267

The Charitable fund was reclassified to unspent conditional grants and receipts in terms of the mSCOA chart of accounts and the nature of the funds.

Workmen compensation was not accrued for the previous reporting period.

Khaya Lam free market foundation - The municipality entered into an agreement with Khaya Lam (Free market foundation) during November 2016 to the effect that for each title deed transferred the Municipality will be availed R500 per transfer to be utilised for field workers within the title deeds program.

Construction advances was incorrectly accounted for as unspent conditional grants and receipts.

During the 2017/18 financial year services were rendered by the supplier but the funds were not accrued for.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.9 Unspent conditional grants and receipts

Balance previously reported	148 233 956
Government grants and subsidies (Khaya Lam free market foundation)	(222 500)
Government grants and subsidies (Municipal accreditation grant)	(56 020)
Payables from exchange transactions	222 500
Government grants and subsidies (National resource management grant)	135 798
Accumulated surplus (National lottery)	(373 993)
Government grants and subsidies (National lottery)	(200 000)
Accumulated surplus (Accounting error)	695 512
Payables from exchange transactions (Charitable fund)	112 334
Accumulated surplus (Development charges)	(77 442 579)
Other income (Development charges)	(13 051 029)
Payables from exchange transactions (Construction advances)	(1 425 744)
Accumulated surplus	2 417 404
	59 045 639

Khaya Lam free market foundation - The municipality entered into an agreement with Khaya Lam (Free market foundation) during November 2016 to the effect that for each title deed transferred the Municipality will be availed R500 per transfer to be utilised for field workers within the title deeds program.

Municipal accreditation grant - Funds were gazetted for the 2019/20 financial year but received early during June 2019. The correction relates to the salary expenditure for the capacity clerk seconded from the Provincial Department of Human Settlements. The capacity clerk commenced operations at Stellenbosch municipality on 1 April 2019. Salary payments for three months therefore needs to be expensed against the grant.

National lottery - Correction of funding source for capital assets funded by the National Lottery funds but own municipal funding was used.

An accounting error was made when the human settlement capital debtor that was raised during the 2017/18 financial year.

National resource management grant - The management fees for the project was not claimed timeously and therefor had to be reversed.

The Charitable fund was reclassified to unspent conditional grant in terms of the msCOA chart of accounts and the nature of the funds.

The municipality has incorrectly accounted for development charges as unspent conditional grants in terms of GRAP 23, Revenue from non-exchange transactions.

Development charges levied during the year under review was recognised as revenue.

Construction advances was incorrectly accounted for as unspent conditional grants and receipts.

Accounting for the assets and liabilities transpiring from the agreement entered into between TCTA and Stellenbosch municipality, whereby 80 houses were donated to the municipality for the benefit of housing development within the specified area.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.10 Operating lease liability

Balance previously reported	971 080
Other receivables from exchange transactions	5 754 000
VAT receivable	748 020
Other income	(767 200)
Accumulated surplus	(664 806)
Lease rentals	(266 079)
	5 775 015

The receivable was recognised for the advance payment relating to the use of a municipal parking area, for a period of five years in terms of the signed agreement.

The municipality had to account for deferred VAT in terms of the parking agreement with the client.

Recognition of rental income for a period of eight months.

Correction of an accounting error relating to the Operating lease liability in the comparative year, as well as the opening balance of the preceding year.

61.11 Accumulated surplus

Balance previously reported	5 287 153 581
Unspent conditional grants (National lottery)	373 957
Unspent conditional grants (Accounting error)	(695 512)
Operating lease liability	664 806
Unspent conditional grants (Development charges)	77 442 608
Payables from exchange transactions	(446 742)
Statement of Financial Performance - surplus for the year	(3 422 258)
Receivables from exchange transactions	(15 680 831)
Intangible assets	5 421 490
Investment property	2 060 280
Inventory	12 250 000
	5 365 121 379

Refer to the nature of the adjustments in the financial statement line items as indicated above.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	817 760 063	-	-	817 760 063
Construction contracts	-	1 044 546	-	1 044 546
Rental of facilities and equipment	14 524 336	3 366 585	-	17 890 921
Interest received (trading)	8 024 881	-	-	8 024 881
Agency services	2 833 175	-	-	2 833 175
Licences and permits	6 610 962	-	-	6 610 962
Other income	26 705 321	13 818 228	-	40 523 549
Investment revenue	44 271 827	-	-	44 271 827
Gains on disposal of assets	51 591	-	-	51 591
Inventories losses/write-downs	6 218 654	-	-	6 218 654
Total revenue from exchange transactions	927 000 810	18 229 359	-	945 230 169
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	332 957 900	-	-	332 957 900
Transfer revenue				
Government grants & subsidies	234 134 499	(701 823)	-	233 432 676
Fines, Penalties and Forfeits	118 046 132	-	-	118 046 132
Total revenue from non-exchange transactions	685 138 531	(701 823)	-	684 436 708
Total revenue	1 612 139 341	17 527 536	-	1 629 666 877
Expenditure				
Employee related costs	(461 114 130)	903 594	(17 306 637)	(444 711 087)
Remuneration of councillors	(18 272 420)	-	-	(18 272 420)
Contribution to/from provisions	(6 025 885)	-	-	(6 025 885)
Contribution to employee benefits	(1 273 639)	-	-	-
Depreciation and amortisation	(174 958 815)	(16 310 626)	-	(191 269 441)
Impairment of non cash generating assets	(1 705 912)	-	-	(1 705 912)
Finance costs	(23 207 266)	-	(18 580 276)	(41 787 542)
Lease rentals on operating lease	(2 933 062)	266 078	-	(2 666 984)
Debt impairment	(105 207 214)	-	-	(105 207 214)
Contribution to allowance for doubtful debt	(21 952 121)	1 584 254	-	(23 536 375)
Bulk purchases	(380 670 630)	-	-	(380 670 630)
Contracted services	(151 817 580)	-	-	(151 817 580)
Transfers and subsidies	(8 990 039)	-	(139 410)	(9 129 449)
Loss on disposal of assets	(5 111 906)	-	-	(5 111 906)
Fair value adjustments	(350 833)	-	-	(350 833)
Inventories losses/write-downs	(2 157 273)	-	-	(2 157 273)
General Expenses	(121 828 999)	-	139 410	(121 689 589)
Total expenditure	(1 487 577 724)	(18 532 396)	35 886 913	(1 506 110 120)
Operating surplus	124 561 617	(1 004 860)	35 886 913	123 556 757
Surplus for the year	124 561 617	(1 004 860)	35 886 913	123 556 757

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.12 Construction contracts

Balance previously reported	-
Government grants and subsidies	1 044 566
	<u>1 044 566</u>

Construction contracts in terms of GRAP 11 were incorrectly accounted for as revenue from non-exchange transactions.

61.13 Other Income

Balance previously reported	26 705 321
Operating lease liability	767 200
Unspent conditional grants	13 051 028
	<u>40 523 549</u>

Recognition of rental income for a period of eight months.

Development charges levied during the year under review was recognised as revenue.

61.14 Government grants & subsidies

Balance previously reported	234 134 499
Unspent conditional grants (Khaya Lam free market foundation)	222 500
Unspent conditional grants (Municipal accreditation grant)	56 020
Unspent conditional grants (National resource management grant)	(135 798)
Unspent conditional grants (National Lottery)	200 000
Construction contracts	(1 044 545)
	<u>233 432 676</u>

Khaya Lam free market foundation - The municipality entered into an agreement with Khaya Lam (Free market foundation) during November 2016 to the effect that for each title deed transferred the Municipality will be availed R500 per transfer to be utilised for field workers within the title deeds program.

Municipal accreditation grant - Funds were gazetted for the 2019/20 financial year but received early during June 2019. The correction relates to the salary expenditure for the capacity clerk seconded from the Provincial Department of Human Settlements. The capacity clerk commenced operations at Stellenbosch municipality on 1 April 2019. Salary payments for three months therefore needs to be expensed against the grant.

National resource management grant - The management fees for the project was not claimed timeously and therefor had to be reversed.

National lottery - Correction of funding source for capital assets funded by the National Lottery funds but own municipal funding was used.

Construction contracts in terms of GRAP 11 were incorrectly accounted for as revenue from non-exchange transactions.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.15 Employee related costs

Balance previously reported	(461 114 130)
Payables from exchange transactions	(903 594)
Contribution to employee benefits (reclassification)	17 306 637
	<u>(444 711 087)</u>

Workmen compensation was not accrued for the previous reporting period.

Contribution to employee benefits were reclassified in terms of the nature of the expenditure and to ensure fair presentation of the financial statements.

61.16 Contribution to Employee benefits

Balance previously reported	(1 273 639)
Finance cost	18 580 276
Employee related costs	(17 306 637)
	<u>-</u>

Contribution to employee benefits were reclassified in terms of the nature of the expenditure and to ensure fair presentation of the financial statements.

61.17 Depreciation and amortisation

Balance previously reported	(174 958 815)
Property, plant and equipment	(16 310 626)
	<u>(191 269 441)</u>

The work in progress previously reported was incorrect and included infrastructure that should have been commissioned and depreciation calculated accordingly.

61.18 Finance costs

Balance previously reported	(23 207 266)
Contribution to employee benefits	(18 580 276)
	<u>(41 787 542)</u>

Contribution to employee benefits were reclassified in terms of the nature of the expenditure and to ensure fair presentation of the financial statements.

61.19 Contribution to allowance for doubtful debt

Balance previously reported	(21 952 121)
Receivables from exchange transactions	(1 584 254)
	<u>(23 536 375)</u>

Accounting for the assets and liabilities transpiring from the agreement entered into between TCTA and Stellenbosch municipality, whereby 80 houses were donated to the municipality for the benefit of housing development within the specified area.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

61. Prior period errors and Reclassifications (continued)

61.20 Transfers and subsidies

Balance previously reported	(8 990 039)
General expenses	(139 410)
	<u>(9 129 449)</u>

The bursaries for non-employees were reclassified to transfers and subsidies.

61.21 Lease rentals on operating lease

Balance previously reported	(2 933 062)
Operating lease liability	-
	<u>(2 933 062)</u>

Correction of an accounting error relating to the Operating lease liability in the comparative year.

61.22 General Expenses

Balance previously reported	(121 828 999)
Transfers and subsidies	139 410
	<u>(121 689 589)</u>

The bursaries for non-employees were reclassified to transfers and subsidies.

61.23 Work-in-progress

Balance previously reported	1 246 095 355
Assets commissioned	(656 579 513)
	<u>589 515 842</u>

The work in progress previously reported was incorrect and included infrastructure that should have been commissioned and depreciation calculated accordingly.

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

62. Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of the Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

The D/SM acronym refers to the deviation number as approved by the Accounting Officer.

Deviation no:	Date of adjudication	Supplier	Reason	Rate of recurrence	Contract/ Order Amount
DSM 01/20	2019/07/11	The Vissershok Waste Management Facility (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Per Ton	421
DSM 02/20	2019/07/15	Tyanco SA Pty Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	15 370
D/SM 03/20	2019/08/01	Nejeni Construction and project management	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	104 136
D/SM 04/20	2019/07/31	Adapt IT (Pty) Ltd	Goods or services are produced or available from a single provider	Total D/SM amount	155 945
D/SM 05/20	2019/08/08	Re A Letamisa	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	660 000
D/SM 06/20	2019/09/30	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement processes	Per month	100 000
D/SM 07/20	2019/11/01	E Dreyer t/a Dreyer cleaning Solutions	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	2 675 244
D/SM 08/20	2019/11/25	Red Ants Security Services	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates per month	-
D/SM 09/20	2019/11/29	Verso Financial services	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 10/20	2019/12/24	TMT Services and Supplies (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement processes	Total D/SM amount	5 677 615
D/SM 11/20	2019/12/12	Avalon Technology Group	Emergency	Total D/SM amount	82 810
D/SM 12/20	2019/11/29	Rufus Dercksen Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	71 587
D/SM 13/20	2020/03/02	Ibhunga Cleaning Bricks Paving and Painting Pty Ltd	The possibility that failure to take necessary action may result in the municipality not being able to render an essential community service	Rates	-
D/SM 14/20	2019/03/10	Klaassen Cleaning Pty Ltd Fairbridges	Exceptional case and it is impractical or impossible to follow the official procurement processes	Total D/SM amount	150 000

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62. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 15/20	2020/03/13	The Environmental Partnership	The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole	Total D/SM amount	285 000
D/SM 16/20	2020/03/13	CK Rumboll and Partners	Exceptional case and it is impractical or impossible to follow the official procurement processes	Total D/SM amount	464 826
D/SM 17/20	2020/03/20	Hidro- Tech Systems (Pty) Ltd	The possibility of serious damage occurring to the natural environment	Total D/SM amount	197 851
D/SM 18/20	2020/03/16	Various suppliers	The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the municipality as a whole	Rates	-
D/SM 19/20	2020/04/13	Ibhunga Cleaning Bricks Paving and Painting Pty Ltd Klaassen Cleaning Pty Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	910 250
D/SM 20/20	2020/04/29	Trautmann trading and KSB Pumps	Exceptional case and it is impractical or impossible to follow the official procurement processes	Total D/SM amount	94 418
D/SM 21/21	2020/05/06	Various suppliers	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 22/20	2020/05/21	Waste Carriers (Pty) Ltd	The possibility that failure to take necessary action may result in the municipality not being able to render an essential community service	Rates	-
D/SM 23/20	2020/06/18	Rufus Dercksen Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	198 061
D/SM 24/20	2020/06/26	Chennells Albertyn Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement processes	Total D/SM amount	137 625
D/SM 25/20	2020/06/29	LJA Construction	Emergency	Total D/SM amount	1 422 364
D/SM 26/20	2020/06/30	Coral Clean	Exceptional case and it is impractical or impossible to follow the official procurement processes	Rates	-
D/SM 27/20	2020/06/30	The Sustainability Institute Innovation Lab (SIIL)	Exceptional case and it is impractical or impossible to follow the official procurement processes.	Total D/SM amount	220 000
D/SM 28/20	2020/06/30	TMT Services and Supplies (Pty) Ltd	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 29/20	2020/06/30	Verso Financial services	Exceptional case and it is impractical to follow the official procurement processes.	Rates	-
D/SM 30/20	2020/06/30	Nedbank Limited	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	816 607

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62. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 31/20	2019/03/19	Webber Wentzel	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	1 041 744
D/SM 32/20	2020/03/26	AON	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	730 049

In accordance with paragraph 4.36(a) of the Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below for the comparative year:

Deviation no:	Date of adjudication	Supplier	Reason	Rate of recurrence	Contract/Order amount
D/SM 1/19	11/07/2018	Abedare Cables	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	228 073
D/SM 2/19	13/07/2018	Xaba Engineering & Consulting	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	138 745
D/SM 3/19	25/07/2018	Avalon Tchnology Group	Emergency	Total D/SM amount	70 822
D/SM 4/19	03/08/2018	JVZ Construction	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	3 445 713
D/SM 5/19	09/08/2018	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	515 960
D/SM 6/19	07/08/2018	Interwaste Environmental Solutions	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	7 838 976
D/SM 7/19	03/08/2018	Resource Innovations	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	1 780 669
D/SM 8/19	21/08/2018	Aurecon Consulting Engineers	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	526 082
D/SM 9/19	07/08/2018	Naele's Hydraulics	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	29 321
D/SM 10/19	09/10/2018	Telkom SA SOC	Goods or services are produced or available from a single provider	Total D/SM amount	2 061 220
D/SM 11/19	01/08/2018	Sowerby Engineering WEC Projects	Goods or services are produced/available from a single provider and an exceptional case which made it impossible to follow the standard procurement process	Total D/SM amount	96 907
D/SM 15/19	22/08/2018	TSU Protection Services	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	1 701 828

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62. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 17/19	09/10/2018	Livewire Engineering and Consulting (Pty) Ltd	Emergency	Rates	-
D/SM 19/19	21/09/2018	Advocate Vermaak	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	76 500
D/SM 20/19	21/09/2018	GLS Consulting	Goods or services are produced or available from a single provider	Rates	-
D/SM 21/19	28/09/2018	Metro City Protection Services	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 23/19	15/10/2018	Transmission Gear Services MAN Engineering Services Gorman Rupp	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	198 055
D/SM 26/19	16/10/2018	Kings Catering	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	97 300
D/SM 27/19	19/10/2018	I Bester Staal	Emergency and goods or services are produced or available from single provider	Total D/SM amount	11 696
D/SM 28/19	03/12/2018	Weber Wentzel	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	363 200
D/SM 29/19	26/11/2018	Microsoft Corporation	Goods or services are produced or available from a single provider	Rates	-
D/SM 30/19	14/12/2018	Hydro-Tech System (Pty) Ltd	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM Amount	1 520 028
D/SM 31/19	21/12/2018	I Bester Staal	Emergency and goods or services are produced or available from single provider	Total D/SM amount	4 025
D/SM 32/19	21/12/2018	Leelyn Management	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 33/19	27/12/2018	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	515 960
D/SM 34/19	27/12/2018	Farm Gaurd	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	197 373
D/SM 35/19	25/01/2019	Farm Gaurd Security	Emergency and exceptional case and it is impractical or impossible to follow the official procurement process	Rates	-
D/SM 36/19	18/02/2019	Gateway Metal Works (Pty)(Ltd)	Emergency	Total D/SM amount	2 068 395
D/SM 38/19	28/02/2019	Genadendal Jackies Bazaar Wate Mart (Pty) Ltd	Exceptional case and it is impractical or impossible to follow the official procurement process	Rates	2 463 300
D/SM 39/19	07/03/2019	Plan Associates Town and Regional Planners	Exceptional case and it is impractical or impossible to follow the official procurement process.	Total D/SM amount	553 500

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62. Deviations from, and ratification of minor breaches of procurement process (continued)

D/SM 41/19	19/03/2019	Smith Tabata Buchanan Boys Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	287 500
D/SM 42/19	19/03/2019	Rufus Dercksen Inc	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	179 837
D/SM 43/19	29/03/2019	Total Cooling Solutions Pty Ltd	Emergency	Total D/SM amount	77 121
D/SM 44/19	29/03/2019	John Macrobert Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	22 078
D/SM 45/19	29/03/2019	APEX	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	114 770
D/SM 46/19	06/05/2019	Smith Tabata Muchanan Boyes (STBB)	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	25 872
D/SM 47/19	28/06/2019	Liquid Telecom	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	310 500
D/SM 48/19	28/06/2019	Avalon Technology Group	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	91 500
D/SM 49/19	19/06/2019	Interwaste	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	2 920 746
D/SM 50/19	07/06/2019	Van der Spuy	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	490 000
D/SM 51/19	24/12/2018	Andre Swart of Smit of tabata Buchanan Boyes Attorneys	Exceptional case and it is impractical or impossible to follow the official procurement process	Total D/SM amount	200 000

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Unaudited Annual Financial Statements for the year ended 30 June 2020

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63. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% as depicted in the Statement of Comparison of Budget and Actual Amounts are explained below.

Statement of Financial Performance

Revenue

Service charges (BD1)

The projection was based on the prior period's collection and also as a result of the reversal of the electricity and water income estimate accrual that was substantially higher in the comparative year.

Rental of facilities and equipment (BD2)

The revenue for rental of facilities and equipment declined due to factors such as social change, which is a cultural and economic change.

Interest earned - outstanding receivables (BD3)

The budget projection increase was based on historic performance.

Agency services (BD3)

The projected collection was based on historic performance.

Other income (BD4)

The decrease is due to the national lockdown, as a result of the covid-19 pandemic.

Government grants & subsidies (BD5)

Delays were experienced with the implementation of capital projects due to the national lockdown enforced, as a result of the covid-19 pandemic.

Fines, Penalties and Forfeits (BD6)

The budget projection for fines was based on previous performance.

Expenditure

Contribution to / from provisions (BD7)

The variance emanates from the rehabilitation of the landfill site which is calculated based on information as at year end and subject to certain unpredictable assumptions. This information is not available when the budget is drafted.

Employee related costs (BD8)

The municipality reclassified the Contribution to Employee Benefits that was separately disclosed on the face of the financial statements to Employee related cost.

Finance costs (BD11)

The variance pertains to the unwinding of the interest of the provision for landfill sites.

The municipality reclassified the Contribution to Employee Benefits that was separately disclosed on the face of the financial statements to Employee related cost.

Depreciation and amortisation (BD9)

Stellenbosch Municipality

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63. Budget differences (continued)

The capital projects that were expected to be completed in the financial year was impacted due to the national lockdown, as a result of the Covid-19 pandemic.

Impairment loss/ Reversal of impairments (BD10)

No assets were impaired/ reversed for impairment during the year.

Debt Impairment (BD12)

The projection was based on historical data.

Contribution to allowance for doubtful debt (BD13)

The projection was based on historic performance of debtors'accounts

Contracted Services (BD14)

The variance is as a result of the COVID-19 lockdown regulations that had an adverse impact the expenditure.

General Expenses (BD15)

The variance is as a result of the COVID-19 lockdown regulations that had an adverse impact the expenditure.

Fair value adjustments (BD16)

These adjustments are based on estimates that cannot be budgeted for.

Gain on biological assets and agricultural assets

The gain is based on the growth of the biological assets and cannot be calculated before hand for budget purposes.

Inventories (losses/write downs) (BD18)

The write downs are based on specific activities during the period, for example stock take and can thus not be budgeted for.

Statement of Financial Position

Assets

Cash and cash equivalents (BD19)

Due to unspent conditional grants, there was more cash to invest on a short-term basis.

Receivables from exchange transactions (BD20)

The variance is as a result of the economic conditions of consumers in the municipal area and further impacted by the national lockdown due to the covid-19 pandemic.

Other receivables from exchange transactions (BD21)

The income estimate for water and electricity formed part of the other receivables budget, but was reclassified due to the nature of the receivable.

VAT receivable (BD23)

Management did not anticipate a VAT receivable at year end.

Long term receivable (BD24)

Stellenbosch Municipality

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63. Budget differences (continued)

This includes arrangement debtors. Defaulting on the arrangement entered into with the municipality is the main reason for the variance.

Intangible Assets (BD25)

The municipality had planned to procure more software systems.

Biological assets that form part of an agricultural activity (BD26)

The budgeted amount is based on the previous fair value model which has since been changed to cost model

Heritage assets (BD27)

The budgeted amount is based on the previous fair value model which has since been changed to cost model.

Liabilities

Consumer deposits (BD28)

Growth in our community/ client base resulting in increase deposits.

Employee benefit obligation (BD29)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Operating lease liability (BD30)

Operating lease liability is included in other financial liabilities

Other financial liabilities (BD31)

The external loan was taken up towards the end of the financial year.

Provisions (BD32)

Provisions are based on experts' work as at the end of the financial year using information that is not available during the budget. The budget is based on historic amounts.

Payables from exchange transactions (BD33)

This was mainly due to late contractor appointments, delays in projects which led to more invoices not being paid at year end.

Unspent conditional grants and receipts (BD34)

Due to unforeseen circumstances, late contractor appointments, delays in projects, etc, conditions of some grants could not be met at year end.

Cash Flow Statement

Grants (CF 11)

The equitable share allocated per the Division of Revenue Act (DoRA) increased to accommodate the increase in active housing projects.

Interest income (CF 12)

Stellenbosch Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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63. Budget differences (continued)

Capital projects were funded from Capital Replacements Reserves (CRR) instead of an external loans.

Payments

Suppliers and employee costs (CF1)

Bulk purchases which are bought by the municipality are based on the consumption of the community have increased compared to the prior year.

Employee related cost decrease due to vacancies not filled and posts becoming vacant during the financial year.

Transfers and grants (CF2)

Management anticipated to spend the allocated funds, but due to unforeseen circumstances it did not materialise as planned.

Cash flow from investing activities

Purchase of PPE (CF3)

The variance relates to the underspending on the capital budget.

Purchase of intangible assets (CF5)

The municipality had undertaken a feasibility into new software for cemeteries.

Proceeds from non current receivables (CF7)

Arrangement debtors classified as long term receivables

Movement in investments (CF9)

The municipality invested excess funds for periods more than 3 months but up to 12 months, these investments are classified as short term investments in the statement of financial position.

Cash flow from financing activities

64. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.